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## **POSTMORTEM ON MALAYA**

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# POSTMORTEM ON MALAYA

*by*  
VIRGINIA THOMPSON, Ph.D.

*With a Foreword*  
*by* SIR GEORGE SANSOM

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## FOREWORD

By SIR GEORGE SANSON

THE FALL OF Malaya had an effect upon world opinion which will prove perhaps more serious and lasting than its effect upon the course of the war. It came as a shock because it revealed unexpected weaknesses in British military preparations and unexpected capacity in Japanese powers of attack. But it did more than this, for it raised doubts in many minds, and particularly those of Asiatic peoples, as to the solidity of the whole British colonial structure and its prospects of survival. The circumstances accompanying the military disaster—notably the apparent inability of the civil administration to cope with the emergencies of war, and the negative attitude of the civil population as a whole—seemed to point to some fundamental defect which local and temporary inferiority in men and machines did not suffice to explain.

In the last days of Singapore, and after its tragic fall, many explanations were offered. Some of them were merely contemptible, as when the troops from Great Britain were accused of slacking behind their gallant Australian and Indian comrades. That base slander is amply disproved by the truly appalling losses suffered in action by famous English and Scottish regiments. More plausible were charges of incompetence against the military commanders. The fact of their defeat raises a presumption that their plan was mistaken or its execution faulty. But they are now for the most part either dead or imprisoned, and it would be better to reserve judgment on the purely military question until the survivors can speak for themselves and explain what parts in the disaster were played respectively by military shortcomings, and by other than military circumstances over which they had no control.

Meanwhile it is not only proper but imperative to discover what those circumstances were, in terms as precise as possible. It is useless and indeed pernicious to stop at generalized explanations, such as that the white population of Malaya was slack and self-indulgent, or that the Malayan government was vacillating and incompetent, or that the Asiatic peoples in Malaya resented British rule. These and similar charges may be true, entirely or in part; but in such a form they give little guidance to those who wish not only to understand the true causes of the collapse but to apply its lessons to the solution of future problems. For these purposes it is evident that a full historical study is needed, an analysis of political and economic factors as they have developed in Malaya in the past few decades and created the condition in which the country found itself when it faced the ordeal of war.

This is the part which Miss Virginia Thompson has undertaken and has performed with great skill and diligence. She has produced a penetrating analysis of the political, economic, and social organisms which constituted Malaya. It is so well documented that only one with specialist knowledge or exclusive information could venture to challenge her facts or dispute her conclusions. Her approach is scholarly. She makes no statement of fact without supporting evidence, and her treatment is on the whole objective; but I think that I detect in her book a certain *parti pris*, a certain tendency to act as prosecutor rather than as judge. I do not, however, suggest that this attitude diminishes the value of her work, since I believe that the truth is often best elicited by presenting a case so vigorously as to exact a full rejoinder.

Such a rejoinder I am on my own information not able to make, since my sojourn in Malaya was too brief and too busy to allow close study of the surrounding scene. I must confine myself therefore to some general observations which may seem to the reader to qualify some of its conclusions or at least to set them in a wider frame of reference.

The substance of the author's charge against Malaya is to be found in her final chapter, where she says: "The country was not prepared, either psychologically or physically, for the ordeal which Britain . . . proved powerless to avert. The British either should have sent adequate forces from outside, in the old-style imperialist tradition, or else should have given the resident peoples enough of a stake in the country to make it worth their while to defend British rule." She further contends that British rule in Malaya was characterized by an avoidance of fundamental issues, and that "the root of the evil lay in the purely economic form of imperialism which developed, and which failed to weld the peoples of the country into a Malayan nation."

That Malaya was not physically prepared for its ordeal is self-evident. The chief reason for this lack of preparation was the inability of the British government to spare sufficient men and machines for Malaya once they had decided that the needs of the Libyan and Russian fronts must come first. On the facts known to the public, that decision can hardly be challenged. Indeed, it is impossible, I think, for the most competent judges to say whether, even at the expense of other theatres, sufficient strength could have been assembled in Malaya in time to meet and throw back the Japanese attack, when it is considered that the strategical assumptions upon which the defence of Malaya was based had one by one fallen to the ground. The fall of France, by throwing an immense and unexpected burden upon Britain at home, had made it impossible for her to send a fleet to the Far East. It had enabled Japan to establish herself in Indo-China and Thailand, and meanwhile the development of air power had laid Malaya open to a form of attack which was not foreseen when the Naval Base was planned shortly after the First World War. Further, the Japanese attack upon Pearl Harbor and the Philippines removed at a critical moment the strategical advantage to Malaya of a threat to the Japanese flank which

would have existed even on the assumption of American non-belligerency. So much for the physical preparation of Malaya. Its shortcomings must be attributed primarily not to misjudgment or incompetence on the part of the colonial civil and military authorities, but to the compelling needs of global warfare.

As to psychological unpreparedness, there can be little doubt that Miss Thompson's contention is just. It can be explained, though scarcely justified, by the remoteness of the colony from the active theatres of war for over two years, which induced in a community already predisposed to a provincial view of world events first the hope and then almost the conviction that the war would pass it by. Such sentiments were unwittingly encouraged by the policy of the British government and the parallel attitude of the United States government, which aimed at keeping Japan at least technically neutral, and which by a national but unfortunate process of wishful thinking was, in the public mind not only in Malaya but in other countries also, credited in advance with a success which was not in the event achieved. In other words, the hesitations and miscalculations of the authorities and the public in Malaya were not peculiar to the colony, but were part of a world-wide picture of doubt and confusion among the now United Nations.

It is true that Miss Thompson goes deeper than these almost superficial phenomena. As I understand the general line of argument in her *Postmortem*, it is that the tragedy of Malaya might have been averted had the administration and military authorities of the colony, together with its white inhabitants, shown greater wisdom and foresight not only in the period immediately before the Japanese attack but also in the preceding decades, during which they failed to solve the problems presented to them by the growth of nationalism among the Asiatic inhabitants, the conflict between the demands of economic imperialism and the welfare of the population, the an-

tagonism between racial groups. There may be different views as to the degree of this failure, and even as to the possibility of success, but the fact of failure cannot be disputed. What is, however, open to some doubt is the argument that, for the military salvation of Malaya, Britain should *either* have sent adequate forces there from outside *or* have given the resident peoples enough of a stake in the country to make it worth their while to defend British rule. In my view, these were not real alternatives. While I think that, in a better political and social atmosphere, resistance might have been prolonged and some valuable time gained, I do not believe that any conceivable measure of self-government would have so improved the defensive power of Malaya as to enable it to withstand the Japanese attack in the strategic conditions that did in fact obtain. Miss Thompson herself is careful to state that whether, granted a substantial degree of self-government, the Asiatic inhabitants would have developed sufficient unity and efficiency to ward off invasion remains in the realm of hypothesis. The fate of many small countries in Europe and Asia shows plainly enough that autonomy and a high degree of national unity are not in themselves a protective armour. In Malaya the causes of defeat were, in order of importance, an overwhelming Japanese superiority in fighter and bomber aircraft, the Japanese command of the sea, and (to judge by results) the greater ability of the Japanese soldier to adapt himself to tropical surroundings and to subsist upon the food of the country. The attitude of the civilian population in these circumstances played a very minor part; and in justice to the inhabitants of Singapore, both Asiatic and European, it should be stated that, once they were faced with emergency, they displayed in general great courage and considerable efficiency in the work of civilian defense, and in the trying duties of the auxiliary medical services.

I hasten to add that, in contending that social and political conditions were largely irrelevant to the military position, I

am not arguing against colonial self-government. I am far too conscious of the contradictions implicit in colonial rule to try to refuse to recognize the imperatives of history. But I am concerned to distinguish between the factors of defeat which can be ascribed to colonial rule in general or to British colonial methods in particular, and those which are the product of common human fallibility faced with the complex and tormenting issues of the modern world.

The case which Miss Thompson builds up against Malaya is convincing, but I think it is permissible to select a number of charges which she sustains by careful documentation and to show that they testify to faults by no means peculiar to Malaya. Thus, in her account of the finances of the Straits Settlements and the Federated States she cites instances of official parsimony cutting across essential needs; but we need not go to the Far East for examples of the sinister powers of Treasury and Audit. In dealing with agricultural policy she deplores cases of soil erosion, of river pollution and similar failures to conserve natural resources; but these features are not absent in the most liberal autonomous states. She describes the unfortunate income-tax controversy and shows how the influence of tin and rubber producers weighed in the scale against the demands of other elements in the community; but this kind of struggle between vested interests and public welfare is the chief political issue in the greatest independent states, and it is as yet far from being resolved. In a most interesting chapter she traces the growth of labor movements, and pictures the anxieties of an administration torn between a desire to introduce progressive measures and the compulsions of an economic system to which it was committed; but this again is a dilemma common to all modern governments of whatever nature.

I think she does less than justice to the officials in Malaya when she says that "the excellent public health service and large-scale program of public works which have characterized

Malaya's administrative policy were undertaken in the interest of expediency rather than on humanitarian grounds." The history of social services in self-governing countries surely demonstrates that the motive of reform is generally furnished by a nice combination of self-interest and benevolence. A search for pure altruism is not usually successful, in either public or private affairs.

In general this *Postmortem* diagnoses a colonial administration vacillating in policy and irresolute in action. On the facts this is hard to deny; but again it may be urged, in palliation if not in excuse, that all governments save the most ruthless dictatorships are conducted on lines of compromise, steering a hesitating middle course in an effort to reconcile divergent interests within the state. It may be deplorable but it is not surprising to find thunders and disharmonies in the administration of a region inhabited by a medley of races, integrated in an international economy, and situated at a dangerous strategical point of world-wide importance. In such conditions the wonder is not that it failed in the supreme test, but that it could maintain for so long so precarious a balance between so many incompatibles.

Though I have seemed to query, or at least to qualify, some of Miss Thompson's conclusions, I do not by any means underestimate the value of her work. On the contrary, I hope that she will write other books applying the same analysis to other colonial territories. But I do urge upon readers the importance of differentiations between what are the essential, the inherent evils of colonial rule and what are imperfections common to all actual forms of government. Unless this distinction is made, there is a danger of mistaking the symptoms for the disease and of supposing that to obliterate an effect is to eradicate a cause. It is entirely proper to scrutinize any colonial system, to condemn its faults, and to call for their correction. Change is in the air, and it is overdue. But those of us who demand reform abroad must not fall into the error



of complacency at home. We must not make broad our phylacteries.

The colonial system of today cannot be treated in isolation from world-wide problems. Its illnesses will rarely respond to the application of local remedies. The major events in one colony are closely related to those in another, and all are linked to processes taking place in distant quarters of the globe. This interdependence was but imperfectly understood until it was forced into prominence by the urgencies of war. Nowhere was it more acutely felt than in the Far East. There, in the past few decades changes have taken place which in the Occident have required centuries of slower evolution. Students of Oriental history are familiar with the processes by which Asiatic peoples rapidly passed from seclusion into a close relationship with one another and the Western world processes, which followed inevitably upon the development of swift communication and transport. Knowledge of one another made each of these peoples increasingly aware of its own identity and produced powerful movements of nationalism, with the accompanying phenomena of industrialization in greater or less degree, of commercial competition, and of interracial antagonisms moderated by a common determination to break down the dominance of Occidentals.

The full import of these rapid and far-reaching changes seems to have passed almost unnoticed in European and American countries, except by a few specialists and scholars. Statesmen could not fail to perceive that there was a new Asiatic question; but for the most part they were until lately pre-occupied with problems nearer home, and tended to regard it as a remote, peripheral kind of affair to be coped with in good time. The history of Malaya is an interesting case in point. This was the richest of British colonies, and the importance of its strategical position had been recognized since the days of Raffles. But it was only tardily seen that in the ever-changing world of the Pacific, Singapore was the centre,

the key-point of British and for a time perhaps of all Occidental political interests.

On the outbreak of war in December, 1941, the affairs of the British Empire in this vital area were being conducted by a colonial and diplomatic machinery which had been changed in no important particular since the days of Queen Victoria. The diplomatic or consular representatives at Tokyo, Chungking, Bangkok, Manila, Saïgon, and Batavia reported to the Foreign Office; the governors of the Straits Settlements and Hong Kong, to the Colonial Office; the Governor of Burma, to the Burma Office; while High Commissioners in Australia and New Zealand represented the Dominions office but usually had on their staff a diplomatic officer appointed by the Foreign Office. To add to the complexity, the Governor of the Straits Settlements was also High Commissioner for Malaya, and Malaya was composed of a Crown Colony, of a Federation of Malay States and of a group of Unfederated States, each of these three elements differing from the others in method of government and in other important respects.

This arrangement was perhaps not so illogical as it seems, and in peacetime it appeared to work well enough. But soon after the outbreak of war in Europe it became evident that the multiplicity of official organs in the Far East was hampering the conduct of affairs. The strain of emergencies revealed weaknesses in the governmental structure which not only prevented quick and concerted action but also had the serious disadvantage that, because the picture of events in the Far East was presented piecemeal by a variety of organs overseas to a variety of departments in London, the essential unity of the problem of the Far East tended to be obscured. The cabinet was burdened with the difficult if not impossible task of framing policy on the basis of a mass of uncoordinated data put before it in accidental sequence and in a fashion which often made for mistaken emphasis. This unsatisfactory condition was not unperceived by the authorities at home, and attempts

were made to deal with it by the formation of special organs like the Eastern Group Supply Council or by the location in Singapore of centralizing bodies, such as the Far Eastern Branch of the Ministry of Information and the Far Eastern Mission of the Ministry of Economic Warfare. There was also in Singapore the Far Eastern Combined Bureau of Intelligence, which collected and sifted naval, military, and political information, principally for the use of the Commanders-in-Chief. In London the Far Eastern Committee sat regularly from 1940. This was an interdepartmental group which endeavored to combine and appraise the reports that streamed in from so many sources.

But these improvements were not enough to cure the complaint, which was the lack of a single responsible and authoritative voice in the Far East, able to speak in convincing terms to the government in the United Kingdom. As doubt and perplexity concerning the Far Eastern situation grew in London, it became clear that some arrangement must be made whereby issues concerning more than one British authority could be either promptly dealt with on the spot or, in cases where that was impossible, presented to the Cabinet in a form likely to lead to prompt and decisive action. It was these considerations which led to the mission of Mr. Duff Cooper, who in July, 1941, was charged with an examination of the current arrangements for consultation and communication between the various British authorities in the Far East. He was to suggest necessary changes in organization, with a view to simplifying administration and securing improved coordination. His recommendations reached England towards the end of November, but by the time they had come under the review of the Cabinet war was imminent in the Pacific, so that the plan finally adopted was dictated by emergency and could not follow the lines of his report. He, however, remained in Singapore and formed a Far Eastern War Council, over which he presided as Resident Cabinet Minister. This was a significant

if belated move in so far as it showed recognition of the impossibility of remote control over affairs in the vast Pacific area.

When the United Command was set up in the Netherlands Indies early in January, 1942, under General Wavell, Mr. Duff Cooper was recalled, because it was not possible for a British Cabinet Minister to preside in Dutch territory over an international organization; while the swift movement of hostilities made it impossible for him to continue from Singapore the task of coordinating British administration in the Far East. Thus unhappily the reforms which his presence in Singapore had promised, and which he had embarked upon with vigor, were never carried to a conclusion.

The foregoing recital may seem to have little bearing upon the problems of Malaya, but I think that it does in fact help to explain them by showing them as part of a much larger picture. That the crisis in the Far East revealed grave weaknesses in organization and direction in Malaya is beyond dispute, but this shows only that the country was not fitted for the strain of war and does not necessarily indicate that its political and social structure was, in other respects and for other purposes, hopelessly defective or incapable of repair. None of the United Nations showed itself at the outset fully prepared, without substantial physical and psychological change, to meet the ordeal; and the collapse of Malaya was only one sequel of an all-round failure on the part of the countries attacked by the Axis to perceive in time the nature and the scope of the threat which they had to encounter.



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## **POSTMORTEM ON MALAYA**





## II

### *RULERS AND SUBJECTS*

THE EXISTENCE IN MALAYA of ten different administrations and seven customs barriers was not only the product of historical circumstances but a striking evidence of British flexibility of policy and indifference to the theoretical desirability of uniformity in a country covering only a little more than fifty thousand square miles and inhabited by somewhat over five million people. Because the population of Malaya is as varied as its administrative forms, the resultant diversity was more tolerable and perhaps more effective than it could ever be in a country that was not composed of fairly equal racial minorities which have been kept until the past decade in watertight economic compartments and have displayed a singular indifference to politics. Under the pressure of Malay nationalism, of the demands for citizenship rights by the domiciled Indian and Chinese immigrants, and of the depression conditions of the early 1930's, the orderly mosaic of peoples that composed British Malaya were beginning to show symptoms of disruption and strain, even before the outbreak of a war that could not but accelerate this trend.

Up to and well into the interwar period the economy of the country dominated and shaped its politics. The western producing areas of the peninsula—the Federated Malay States far more than the less developed Unfederated Malay States—were primarily organized for safeguarding the capital invested therein by the British and to a lesser extent by the Chinese. The Federation, above all, had in contradiction to its name grown into a highly centralized and bureaucratic amalga-

mation, the better to further the production of tin and rubber. Various changes were made from the time of its inception in 1874 to the creation of the Federal Council in 1909 and finally, during the decentralization policies of Guillemard and Clementi, carried out in the past ten to fifteen years; but the upshot of the minor transformations successively effected was to shift a portion of the power exercised by the central government at Kuala Lumpur to the four British Residents of the Federated States and to the High Commissioner at Singapore. This involved no real sharing of authority either with the Malay sultans or with the local Chinese and Indians. It was merely a jockeying for position between the British industrialist interests and British officialdom. Such furiously discussed issues as the abolition of the post of Chief Secretary at Kuala Lumpur, a customs union for all Malaya, and pan-Malayan public services merely served to conceal a rather artificial rivalry between the producers of the peninsula and the merchants and administrators of the Straits Settlements. To a minor extent they also revealed a largely passive resistance on the part of some of the Unfederated States to become involved with any of these elements to the probable loss of their own individuality and semi-independence. Characteristic of Malaya's so-called "problems" was the sound and fury which covered an identity of vested interests in the economic field, regardless of nationality, and—until very recently—a rivalry in the political sphere confined to the British, who wrangled among themselves and with the home government regarding the apportionment of authority between them. Thus questions which seemed to cry for a simple common-sense solution aroused superficially inexplicable controversies, because they represented something basically quite different.

So long as Malaya presented only prosperous budgets and no problems to the Colonial Office, London was fairly indifferent and let the colony go its own way. The British in Malaya were delighted to work out their own salvation and

even local officialdom cooperated to settle all matters on the spot in such a way that interference from the home government should be reduced to a minimum. Malaya's governors showed an increasing distaste for using the Crown Colony machinery of an official majority in the council to force through unpopular policies. That machinery was used only in matters like the textile quota and the defense contribution at the behest of home government, when it has felt that it must bring pressure to bear because of imperial considerations. The increasing importance of Singapore as a strategic fortress, and of the peninsula as a producer of two of the most vital raw materials of war and peace, had provoked the development of intervention in London in the past twenty years. Even before the outbreak of the Second World War, Malaya found herself caught up in Britain's trade war with Japan, in the chain of imperial defenses, and in international agreements for the restriction of three of her major products. After the outbreak of war Malaya's incorporation economically in the Eastern Supply Group, and the later project to make Singapore the administrative center of empire war unity in the Far East, further reduced her position to that of a cog in the imperial machine. The ensuing curtailment of her political and economic independence went harder with the merchants of the three Straits ports than it did with the mainland states, which, as producers, were more amenable to tariffs and to imperial solidarity than to their domination by the neighboring administration of the Straits Settlements.

The traders of Singapore, Penang, and to a much lesser extent of Malacca made the last stand of laissez-faire doctrines. When Raffles founded Singapore in 1819, on what was then the revolutionary principle of free trade in the Malay Archipelago, its immediate and phenomenal prosperity not only reconciled London to the consequences of near-by Dutch hostility but confirmed the residents of the Straits in the belief that economic liberalism was the only policy under which they could

continue to flourish. The initiative which they were allowed to develop bred in them an independence which made them resent India's and later London's few attempts to dictate policy; and it encouraged them to reduce the local government to the role of a passive and reasonably efficient policeman. This worked extremely well so long as the original entrepôt trade on which they rose to wealth remained the dominant factor in Straits economy; but when it began to change in character there was little or no realization that this might require a corresponding adjustment of economic policy.

The entrepôt trade remained until the present war the basis of Straits' prosperity, for while the extent of this trade was progressively shrinking and it was becoming more closely tied to the adjacent peninsula its value was vastly enhanced. From being processing and exchange depots for the produce of the archipelago and reexport centers for manufactured European goods throughout the Far East, Singapore and Penang early in the twentieth century became primarily exporters of the archipelago's tin, rubber, and petroleum to countries outside the British Empire. Many of their former markets were importing directly from the producing areas and, even worse, were erecting tariff barriers to protect their own state-encouraged industries in the scramble for economic self-sufficiency. Thanks to their geographical location, to their highly developed commercial organization and shipping facilities, and to their tin-smelting privileges, the Straits ports were able to hold their own; but the increasing emphasis on tin and rubber exports inevitably tied the whole country's prosperity to that of world markets—an unpleasant fact driven home by the depressions of the early 1920's and 1930's.

Reluctantly Malaya's producers and merchants turned to their governments for help; but the local administration, long encouraged not to interfere in business, was slow to respond. London tried first and, in the case of rubber, found an empire solution which soon broke down. When the world depression

made both Malaya's rubber planters and her tin miners again admit their inadequacy to cope with conditions beyond local control, there was nothing for them to do but accept incorporation into international schemes which, having started out on a purely economic basis, soon became involved in world politics. Simultaneously Japan's aggression in the Far East and the growth of Singapore as a fortress were drawing the whole country into the international arena. Not only did Malaya feel that she was becoming a pawn in world affairs, where her purely local interests were being sacrificed, but her own government was coming to play a more positive role in the country's internal affairs. Once encouraged by depression conditions to intervene in the heretofore sacrosanct spheres of tin and rubber, the Malayan administrations displayed a growing tendency to hold the balance between capitalistic and native economic enterprise, to arbitrate labor disputes, to implement a program of social services, and to deal with the citizenship problems that were for the first time coming to torment this lotus land. The war catapulted the Malayan governments along this path: the country's economy was placed progressively in a series of strait jackets from which the vaunted independence of the Straits trader and the dominance of the peninsular producers in the Federal government were unlikely to emerge unscathed. This was grudgingly tolerated, nominally for the war's duration; but it might have had to be accepted after the peace, because of a growing local realization that the old methods, which were breaking down even in the inter-war period, could hardly be valid in the totally changed postwar world.

The Federated Malay States government which had been mainly of, by, and for the vested business interests underwent an analogous process of change. First there was a split among the vested interest groups themselves, whose solidarity had been previously maintained vis-à-vis Singapore and the Straits' threat to change the form of their administration under which

they had come to feel their prosperity safeguarded. The decentralization and customs union struggles, which were essentially artificial, petered out, although there was occasional agitation to restore more power to a federal officer. The Malay sultans were comfortably relegated to the background, and their treaty rights were revived mainly as an excuse for conserving the status quo in the scope of pan-Malayan services, rice cultivation by non-Malays, and citizenship rights for the domiciled Asiatic aliens. The Federated Malay States, although protesting, accepted an income tax along with the Straits, a Malayan currency system, and a proportionate share of defense expenditures. Uniformity with the Straits was not achieved, but the need to secure the maximum efficiency under the stress of war made resistance to the idea look unpatriotic even to the die-hards. The Unfederated States alone held out, and the two most important of these—Johore and Kedah—showed signs of yielding under pressure. However, they still refused to accept income tax and certain pan-Malayan services, save exceptionally, and they insisted on sharing war expenditures on a voluntary basis.

The split among the vested interests in Malaya came to be both racial and inter-British. The long-standing differences between the producer and merchant groups, as represented by the struggle for power between Kuala Lumpur and Singapore, were not along racial lines; but the new divergency tended to split the producer interests vertically. This development was largely the by-product of the interwar increase of capitalistic investment in Malaya, and of the control schemes resulting from international agreements and more recently from the war. The growth of British investments in the tin-dredging business after the First World War reversed the racial domination of that industry: the Chinese, who were unable or unwilling to substitute machinery for hand labor, lost out to the heavily capitalized British companies, which were able to win tin from lands heretofore neglected as insufficiently

rich. Further, the mechanization of this industry altered the labor position, radically reducing the number of coolies employed in mining. This in turn diminished the importance of tin to local purchasing power, while the prosperity of the rubber industry, which was employing an increasing number of laborers, came to be more closely related to Malaya's import business. The high-price policy of the Tin Restriction Committee tended to favor countries with high production costs; and while this affected the whole Malayan tin industry—whose great advantage had always been low-cost production—it was especially hard on the Chinese mine owners, whose persistent use of hand labor made them the cheapest producers of all. The absence of capital reserves in most Chinese mining companies made them less able to tide over a bad period, more prone to be anti-restrictionist and willing to produce at even the meagerest profits, and more resentful of the British smelting monopoly, which by arbitrarily refusing to buy their ore could simply force them to close down.

The international restriction scheme as applied to rubber had a similar effect through a different channel. This industry lent itself far less to mechanization and consequently became much more of an Asiatic enterprise. The absence of fixed overhead charges, entailed by a plantation's need to retain a large labor force and its expensive type of management, gave the Asiatic small holder an advantage over the big estates. But the trend towards a more economical management of British companies, and the use of scientific methods to improve yields and enable natural rubber to compete with its synthetic rival, cut down this advantage. Moreover the right to sell export coupons under the restriction scheme, while immediately helpful to the small rubber producer by giving him an income even when he was producing no rubber, has been detrimental to him in the long run because the big British firms throughout the 1930's systematically bought them up. However, all-out production later reversed this trend, and



since in reality there was no restriction on output, coupon rights became virtually unsaleable and small holders were again tapping their trees. The abandonment of international restriction in peacetime would certainly have been fatal to the British tin and rubber companies, whereas Asiatic producers felt that in a world free-for-all they would be able to survive much longer.

The split within the ranks of British producers antedated the war but was widened by it. British tin and rubber companies registered in Malaya felt that their purely local interests were being sacrificed to those of concerns in London, who usually had several similar enterprises in other parts of the world. Thus the Malayan companies were resentful of the control exercised by London interests over the markets and restriction committees, and regularly fought a losing battle against both. However, even before the war, a number of London firms were transferring their headquarters to Malaya in the interest of a more efficient and less costly local management; and this trend was stimulated by England's wartime excess profits taxation and by the increasing difficulties of communication between the two countries. While tin and rubber companies, no matter where they were registered, had to submit to the British government's control of their output—directly in the case of military consumption and indirectly in fulfillment of the Anglo-American agreements—the war dealt a severe blow to both the London rubber and tin markets in that purchases were made directly from producers, and it put all but a formal end to international restriction schemes.

Wartime controls of currency and trade in the Straits Settlements reinforced the gains made there by British merchants at the expense of their smaller Chinese colleagues. Already in the previous decade, the entrepôt trade which had been a Chinese specialty was becoming progressively restricted by the economic nationalism which its markets were progressively showing, not only in tariff barriers but in dispensing wherever

possible with the services of the numerous Straits middlemen who were almost wholly Chinese. The wartime departments which controlled the import business were dominated by representatives of big British firms; and their lesser Chinese conferees not only had to submit to their decisions but had to reveal their trade secrets to these men, who had always been their chief competitors. Currency control similarly gave British bankers more of an opportunity to exercise arbitrary power over the extension of credit. Hong Kong was long excluded from the privileges accorded to countries of the sterling bloc, and this not only hurt the entrepôt trade with that Crown Colony but affected the amount of money remitted to China by the Chinese of Malaya through Hong Kong. During 1940 and 1941 the surviving Chinese merchant in Singapore witnessed the successive liquidation of superfluous dealers and middlemen: he saw his import business shrinking and his exports being canalized to empire countries, while the range and prices paid for the few articles he was still permitted to import were dictated by a restricting authority composed of British businessmen. He had, however, no wish to see the "normal market structure" restored to the tin and rubber industries, which had always been British-controlled. At best the Chinese trader could only hope that a more equitably controlled rubber and tin market would emerge from the Anglo-American governmental controls imposed by the war, and that in the meantime he would be left in charge of distributing such merchandise as he could still import and perhaps some of the articles which the local government was able to acquire for other than defense work.

In the early 1930's the inability displayed by Straits merchants to cope with the Japanese commercial invasion of the local market revealed the generally uneconomic character of the Straits commercial organization and foreshadowed a serious threat to the local system of distribution, which was wholly Chinese. While there might have resulted a more efficient

pruning of Singapore's mercantile set-up if the quota system had not been imposed, it is unlikely that it could ever have met on competitive terms the close-knit Japanese amalgamation of shipping, banking, and commercial interests. In much the same way the international restriction schemes obviated the necessity for the tin and rubber industries to merge and to eliminate the innumerable and uneconomic producing units in the peninsula. While British firms certainly did not lead the way in rationalizing Malaya's economy, it was above all the Chinese who were responsible for its individualistic and inefficient character. The resultant paradox was curious: the *laissez-faire* basis of Malaya's economy was permitted to survive until the war as the direct result of governmental interference and protection.

The outcome could not have been other than confused. On the one hand Malaya's traders and producers continued to denounce attempts made either by London or by the local government to control their activities, yet they were forced by world conditions to turn increasingly to the government for indirect aid, in the form of quit-rent waivers and scientific research, and even to solicit direct financial assistance. The 1930's marked a transition period in which it was ever more obvious to them that the free-trade principle could not work in an interdependent world given increasingly to economic nationalism, in which Malaya had no bargaining counters to offer. Whether she would or no, her economic salvation depended upon the prosperity of her best customer, the United States, and upon immigrant labor forces from China and India. Her policy was formed in London; and her geographical location made her an accessible prey to those coveting her vast wealth. The very factors which had caused her to prosper—great natural resources and the absence of population pressure upon them, her situation at the cross-roads of Far Eastern trade routes, and her free-trade system—put her at a vulnerable disadvantage in the world of the 1930's.

The increasing intervention of government throughout this period evidenced official recognition of this change. The attempt made to widen the basis of Malaya's economy, and incidentally the government's dependence on tin and rubber revenues, was not very successful, especially after the restriction schemes restored considerable prosperity to the country's major industries. The grow-more-food campaign was fostered, but only fitfully, first of all because the government could not bring itself to subsidize directly the unremunerative rice industry and would only offer irrigated lands at low rentals which proved an inadequate inducement to bring thither the necessary Malay settlers. Secondly, it hesitated to reverse the time-honored policy of leaving to the Malays a monopoly of rice production by opening up paddy cultivation to other Asiatics. The war left the government little choice: the increased tin and rubber quotas absorbed the unemployed immigrant labor forces and forced the administration to finance rice-growing, though it still refused to subsidize agriculture directly or to assure food crops generally of a market. At great government expense huge stores were laid in against an emergency that would cut off imported foodstuffs on which the country was still largely dependent. Although Malaya's soils are poor and she could probably never become wholly self-sufficient, yet the position could have been rendered less dangerous had the country not been so wholly seduced by the profits made for so long and so easily from rubber and tin, and had she really learned the lesson taught by the depression.

In the field of labor the local government also took a forward step. Strikes and boycotts had always been practiced by Chinese coolies in Malaya, but they were usually brief and had been marked by little violence since the decline of the secret societies. But depression unemployment, the Sino-Japanese War, and above all the increasing nationalism of overseas Chinese in the interwar period gave new effectiveness to these demonstrations of labor's growing consciousness of its

strength and an orientation that was often anti-British. Proof of subversive propaganda (linking Malaya with world revolutionary organizations) at work upon Malaya's illiterate and excitable laborers, and the recognized need for some machinery dealing with labor disputes other than repressive police measures caused the government to draft bills creating such a framework on the eve of the Second World War. But they were not put into force for almost three more years, and then only after public opinion had come generally to recognize that there was no alternative. Official action, until the latest legislation outlawing strikes in essential industries, was characteristically of a negative nature.

Until the depression decade the government in Malaya contented itself with controlling Indian immigration, assuring it of a regional standard wage, and enforcing certain health and educational measures. Chinese laborers immigrated spontaneously, and far less control was exercised over their activities inside the country. During both depressions the government's negative solution to the unemployment question was repatriation. The social conscience of Malaya was really a child of the 1930's. The excellent public health service and large-scale program of public works which have characterized Malaya's administrative policy were undertaken in the interest of expediency rather than on humanitarian grounds. The thousands of immigrants from disease-ridden China and India required, for their survival as a labor force, the enforcement of measures of rudimentary sanitation and above all of malaria control. The excellent roads, railroads, and power plants of the country were also intimately linked to the prosperity of the tin and rubber industries. The services of education and social welfare, which bring no revenue, were correspondingly starved. Although increasing allocations of funds were made, free primary education was still dispensed only to Malays, and grants-in-aid were made only somewhat more substantial for private schools run by Chinese, Indians, and missionaries.

Higher government education was, with the exception of some scholarships, still restricted to the few who could pay for it. Social problems in Malaya were still regarded almost wholly from the angle of either law enforcement or public health.

The upturn taken by the tin and rubber industries in the middle 1930's caused an increased flow of immigrant laborers into Malaya, and the sudden slump that followed left the unemployment problem more insoluble than ever. The Sino-Japanese War made the repatriation of Chinese coolies impracticable, and in any case the great cost of this deterred both the government and the producers, who were anxious to avoid a shortage of labor in case of a sudden return of prosperity to the rubber industry. For the Chinese mining coolies the Federated Malay States government launched a small-scale but, for it, radical relief program of public works. The situation of Indian laborers was even more complex, as political issues had become part of the problem. In the belief that unrestricted emigration to Malaya had kept working conditions and wages there on too low a level and had prevented the Indians already domiciled in the country from acquiring local political rights, the Congress leaders in India succeeded in getting the Indian government to impose a ban on the assisted emigration of unskilled workers to Malaya in the summer of 1938. Since the bulk of the Indians were employed as rubber tappers and the rubber industry was then undergoing a recession, the Malaya government refused to make the concessions demanded. So all-out wartime production caught the industry short of labor and forced the government later on to authorize the financing of Javanese immigration. While this might have enabled the government to avoid locking horns with the Government of India, it would not have solved the problem of citizenship rights for domiciled non-Malay Asiatics. The drying-up of the traditional outlet for second generation immigrants—clerical positions—caused a serious white-collar unemployment problem to arise in the early 1930's, which the subsequent reorienta-

tion of the country's educational system in the direction of a more practical and technical instruction was intended to rectify. In the meantime, a few other avenues of employment opened up in the Straits Settlements; but the Federated Malay States and Unfederated Malay States remained hermetically sealed to the local-born non-Malay Asiatics except in the humblest spheres. The government was apparently counting on immigrant laborers' children born and reared in Malaya to provide the country with a permanent and docile labor supply, and refused to force the Malay states to lower their barriers for them, trusting to private charity for such relief of unemployment as was given.

Only within the last decade had a small minority of middle-class Malays begun to agitate for a more active participation in the development and government of their own country. The raja class had reason to be content with British rule: Malay aristocrats enjoyed enhanced prestige, greater security, and far more wealth than their more politically independent ancestors. The British policy of Malay preference guaranteed them training and as much participation in state administration as they cared to assume. The Malay peasants were content, by and large, to grow their own food crops and, so long as they were left undisturbed in their kampong life, showed no inclination to compete with the more aggressive immigrant Asiatics, whose alien religion, in any case, was a barrier to intercourse. The handful of Malay nationalists derived from the incipient bourgeoisie: they wanted to displace their own obsolescent and ultra-acquiescent aristocracy and to become in a more real sense the rulers of the country—still, however, under Britain's aegis. They wanted the British to play a more positive role as protectors of the indigenous people of the peninsula by educating them and the peasantry to compete with the Chinese and Indians in the economic sphere. Although they were as yet only a voice crying in the wilderness, and although they did not for a moment envisage ousting their British rulers, they

began to show disillusionment at the negative way in which the British policy of Malay preference was carried out, and wanted their country closed to further Asiatic economic penetration. They still protested their loyalty to the British Crown for past favors, for expected protection against outside aggressors, and for promised future aid in self-development, but their devotion had begun to show signs of wearing thin. Malay nationalists were only a feeble minority, but their strength lay in the justice of their appeal to the British conscience, which was—no matter how the facts of British stewardship lent themselves to other interpretations—abnormally sensitive in regard to the moral basis of British rule.

The fundamental weakness of Malaya in the face of a military invasion was its lack of essential homogeneity. Numerically the population was divided into approximately three equal parts; the whole country was underpopulated, and regional isolation was paralleled by separate administrations and communal aloofness. Each racial group was split vertically and horizontally by class barriers and linguistic differences. The single tie that bound Malaya together was the economic motivation of all her residents except the Malay component—that they were in the country as transients, simply to make enough money to return to a more prosperous life in their homelands. This common economic denominator had not produced a national life in the real sense of the word, and the lack of spiritual cohesion rendered Malaya not only vulnerable to fifth-column propaganda but made hard a coordinated defense of the region. But if Britain's military might had been sufficient to protect Malaya against the Japanese invaders, the centrifugal forces within the country—apparent before the war and glaringly obvious after its outbreak—would have probably shown increased strength in the postwar world. A country that has put all its eggs, spiritually as well as physically, into the twin baskets of tin and rubber, on whose continued sale its economic survival depends, must always face the possibility that markets will be



closed to it either as a result of deliberate national policy or through the discovery of substitutes. In such an eventuality Malaya would have to find compensatory economic development either by developing other exports or by balancing her internal economy so as to be less dependent on conditions beyond local control. The alternative, however, was one that would perhaps not dismay the average Malay of Malaya—that the alien Asiatic population would melt away in the face of a radically lowered standard of living and let the region revert to the indigenous people and to the jungle.

## III

### *THE MOSAIC OF PEOPLES*

WHEN THE BRITISH first came to what is now one of the most cosmopolitan cities in the world, Singapore had only 150 inhabitants, including 30 Chinese. The rest were Malay fishermen and ex-pirates, some of whom were retainers of the Temenggong of Johore and had come to settle the island with him in 1811. The town grew quickly, and four months after the arrival of the British in 1819 Raffles wrote that the population had already reached 5,000. The newcomers were predominantly Chinese. In spite of the piracy prevalent in the Straits and the efforts of the Dutch to prevent migration thither from Malacca, the good profits and high wages to be had at Singapore induced Malays to come in increasing numbers. The first to be attracted were chiefly laborers and small shopkeepers, and later fishermen who carried on endless feuds with their truculent compatriot-competitors from the nearby Riouw Islands.

As early as the first year of British settlement the number of different nationalities in Singapore was so great that boundaries had to be set up between them. Thus it was arranged that the Chinese should move to the south of the river while the Malays concentrated on the opposite bank, each group being subject to its own leader and to a council composed of the Sultan and Temenggong and the British Resident. The population continued to increase phenomenally with the notable addition of the Chulias (Madras Indians), who in 1822 petitioned for the appointment of their own headmen. In 1824,

when the first census was taken, the population of Singapore numbered over 10,000, nearly half Malay; there were 74 Europeans, over 3,000 Chinese and a floating population of about 2,500 including 600 Indian convicts. In all but one racial group there were twice as many men as women. The southern Chinese were the largest racial group. Agriculture was rapidly giving place to commerce, and the Malays, primarily an agricultural people, were then as later at the bottom of the economic scale.

By 1836 the census forecast the future economic distribution of the population. The Europeans formed the wealthy class, owning Singapore's twenty mercantile firms and acting as agents for European companies; the Chinese were the merchants, artisans, and shopkeepers; the Malays, chiefly fishermen and woodcutters; and the Indians were petty shopkeepers, boatmen, and servants. The number of male Chinese immigrants increased, but women were forbidden to immigrate from China. The population was already in a chronic state of fluctuation, and the land regulations then in force presented a serious obstacle to permanent settlement.

Throughout the nineteenth century and in contrast to Singapore's rapid growth, the impenetrable hinterland remained largely undeveloped. The Malays concentrated along the lower reaches of the rivers or near the coast, and scattered communities of Chinese penetrated as far as the mining regions of the foothills. Only the aborigines roamed the forests which still covered most of the land. Since the population was so unenterprisingly concentrated on the most accessible land, the domains of the different Malay chiefs overlapped. Warfare was consequently chronic not only among the tribes themselves but against the Chinese miners. British intervention increased communication, and wherever the jungle was felled to make possible the construction of rail and road the population followed swiftly.

It was a policy of the British peninsular administration to

encourage the growth of small towns. The Chinese response was spontaneous, but the government had to urge its policy on the Indians. The latter were imported in increasing numbers, primarily to meet the needs of the expanding rubber industry. Just before the First World War the population of the Federation was almost double that of the older Straits Settlements. In 1891 Singapore, Penang, and Malacca were practically the only important centers of population. But by 1911 Kuala Lumpur had 46,718 inhabitants; Ipoh, 23,978; Taiping, 19,556; Kampa, 11,604; and there were other thriving townships.

In the prosperous years that followed the rubber boom of 1910, British capital poured into the country, and so did Chinese, Indian, and Malay immigrants. The total population of Malaya increased in the second decade of the twentieth century from 2,673,000 to 3,358,000. The postwar depression provoked a decline in immigration for about two years, but it mounted again with the introduction of the Stevenson Plan. The population rose from the 1923 minimum for the decade of less than 3,250,000 to a maximum of more than 4,500,000 early in 1930. The apex of immigration for the decade was reached in 1926, the peak year of Malaya's trade. The link between the prosperity of rubber and the growth of population was confirmed in 1930, when recession set in with unprecedented force.

The year 1931 is the last year for which there is an analyzed census of Malaya's population. In that report geographical factors are clearly shown to be the simplest and most persistent element in the distribution of Malaya's population. In pre-British time only the river valleys and estuaries had been colonized by the Malays, while the Chinese had started mining villages as far inland as the foothills of the main range. In the monsoon-ridden and harborless eastern coastlands there were only insignificant Malay settlements, of which those of the Kelantan plain were the most important. The subsequent his-

tory of the peninsula has merely accentuated the importance of this fundamental geographical limitation.

In 1931 there was a fairly even density of about 150 persons to the square mile over the western lowlands, broken by patches of jungle hills and swamps. The Malay population was concentrated in areas of agricultural small holdings which were nourished by fresh immigration from the archipelago. Mining areas around Kuala Lumpur and Kinta attracted most of the rural Chinese population, to the virtual exclusion of other races. The bulk of the Indian population was to be found on the estates; these had only a few Chinese and almost no Malays.

The census reporter of 1931 stressed the relationship between the urban and rural populations as peculiar to a country composed predominantly of migrants engaged in the production of primary commodities. Aside from Singapore, whose location sets it apart from the peninsula towns as a world port, the relatively small urban population existed to serve the large rural producing component. Such urban centers as existed were the product of a centralized administration, the lay-out of the supply and transport services for the rural element, and the organization for the marketing of their produce. In 1931 Malaya had about one hundred and twenty towns with a population of more than 1,000 inhabitants; eighteen with over 10,000; six with more than 25,000; and only one in excess of 100,000. In the peninsula as a whole, 30 per cent of the population was urban only in terms of residence in towns having more than 1,000 inhabitants. The Straits Settlements, on the other hand, were more than 60 per cent urban. For Federated Malay States towns, "whose population is almost entirely ancillary to the rural population," the figure was 25 per cent. Everywhere the urban population was more settled than the rural because it was less dependent on world prices for two commodities, and because it had a much higher ratio of females to males and was therefore more largely organized into families. It was also overwhelmingly Chinese. For the penin-

sula as a whole nearly half of the Chinese population was urban, with the proportion naturally far higher in the Straits Settlements, while more than 30 per cent of the Malays everywhere were essentially rural, with only 11 per cent of them living in towns.

Census statistics in Malaya are handicapped by an inaccuracy that derives from the tendency of both Chinese and Malays to overstate their age, either deliberately or through vagueness. Birth registration, it was seen in 1931, needed an improved technique. It was especially unpopular in the regions where it had been most recently introduced, and in Oriental eyes it was an expensive, time-consuming effort, fraught with dangers from the spirit world. The formal rites attendant upon death in an Eastern country like Malaya have made mortality figures far easier to obtain; moreover, the penalties for failure to report deaths were far more severe.

The predominantly immigrant character of the population of Malaya dominates the problems of age distribution and sex ratio. Less than 57 per cent of the total population of the country in 1931 was born in Malaya. In 1921 the proportion was 54.3 per cent. The age distribution of Malaya's population was almost as abnormal as the sex ratio. From 75 to 90 per cent of the two main immigrant groups were adults of the laboring age, whereas under normal population conditions about half would fall within this age classification. The 1921-31 decade was characterized by a great increase in the proportion of females to males and likewise in the number of births in Malaya from immigrant parents. The 1931 figures, while revealing the rapid turnover in the immigrant population and the shortness of the average stay in Malaya of the individual immigrant, do not suggest any growing tendency towards permanent settlement in the small increase in the Malaya-born element of the population. Immigrants still came to Malaya in overwhelming numbers to make money and then return; but to an increasing extent they were bringing their women with

them. Their children, although born in the country, were not likely to be caught there by the next census. Recent reports have tended to decry the traditional viewpoint that Malaya is a country afflicted with "natural decrease." If it were not for the peculiar composition of the population produced by immigration, Malaya would show a very high natural increase. While the age distribution and sex ratio make the country's inhabitants more economically productive, they also have made for an abnormal communal life and its attendant problems of vice and crime. Even with the recent decreasing death rate the population was not self-replenishing.

### *The Aborigines*

The peninsula, prior to Malay and British penetration, was an impenetrable backwater of the continent of Asia to which drifted many tribes escaping destruction. These aborigines are usually divided into three general categories: the Semang, who live in the north; the Sakai, who inhabit the center; and the Proto-Malays or Beduanda, who live along the southern coasts. The geographic distribution of these groups indicates the order of their arrival in the peninsula.

In 1931 the total number of aborigines in Malaya given was 31,852, as compared with 32,448 in 1921, although this small decrease was attributed to their greater assimilation with the Malays. The settled aborigines numbered 5,219 as compared with the 26,633 nomads, but their conversion from their traditional vagrancy has been greater than these statistics suggest, because of their progressive assimilation to the Malays. Thus the concept of the aborigines as dying out is probably illusory. Their absorption by the Malay element has been most notable in Selangor, the Negri Sembilan, and Johore. Pahang remains the only state with a considerable aboriginal population. Further analysis reveals the detrimental effects which this transition stage has upon the aborigines: There is among them a scarcity of old people, and this cannot be

attributed either to a high birth rate or to low infant mortality. Polygamy is clearly uncommon among them. So the unusual age factor is generally thought to be due to the 10 per cent excess of males over females, and to the fact that such racial intermarriages as occur are between aboriginal women and Malay or Chinese men.

Semang, the name by which the pygmy Negrito aborigines are collectively known, is a term of contempt which they repudiate. The term Negrito was coined by early Spanish writers, while the Malays classify all primitives as Orang Benua, or men of the soil. Contrary to Malay traditions, they are probably the oldest race in Malaya; they now number about 2,000 in all. At the time the 1891 census was taken only one Negrito, "who twittered like a bird," was to be found in Province Wellesley, and he died before the next census could register him. This undoubtedly ancient race seems to have descended from the continental mainland in comparatively recent times and furnishes the greatest anthropological puzzle of the area. Many of the Semang inhabit the coastal forests and swamps in the north of the peninsula and have rarely invaded the Sakai's central mountain strongholds. The nomadic Semang live in small independent tribal groups, practice no agriculture and live in leaf-shelters, eating jungle produce and hunting. Their religion is a primitive animism touched with immortality to be eked out on an "isle of the fruits." The Semang are a singularly shy and unvicious people whose cheery optimism is ingratiating in the face of a life of appalling hardship and uncertainty. Malay slave hunting in the past reduced voluntary contacts between the two races to a mute barter exchange, and the Semang of the marshlands have far more dealings with the Sakai, who have taught them the use of the blowpipe and some words of their language. Confusion has resulted from the Semang's habit of calling themselves Sakai because they were flattered by their association with a people of higher civilization; but the Sakai themselves repu-



diate the name and prefer to be called men of the hinterland or highlands. The Kuala Selinsing Semang of Perak have recently been studied by I. H. N. Evans as illustrative examples of the effects of first contact with Indian traders on an early Indonesian culture, which is neither Hindu nor Muslim.

About 20,000 of the taller and fairer Sakai inhabit the inhospitable slopes of the peninsula's central range, but they differ widely in degree of civilization according to the amount of contact the various groups have had with their more advanced Malay neighbors. All the Sakai tribes, however, have the same political organization—a confederacy of small family communities under a common patriarchal chief. They have also a common system of numerals and a peculiar form of spirit religion. The most advanced among them, the northern Sakai, use the blowpipe, practice agriculture, and move less frequently to fresh cultivation clearings than the Sakai to the south, who are less pure racially. Their language has three different dialects of a generally Malayo-Polynesian cast, with an admixture of Mon-Khmer words.

Except for a century-old Catholic mission and a more recent Methodist effort to evangelize the Sakai, no direct attempt has been made to influence the aborigines of Malaya. Certain of the aborigines' charms show that centuries ago they borrowed Hindu demonology from the Malays; in recent years and in the most accessible regions they have embraced Islam, sent their children to Malay schools, acquired a limited taste for European novelties and medicines, but they have always remained several jumps behind the jungle Malay. Very little is really known about any of the primitive tribes of Malaya. In the early days Raffles, Crawford, and Logan collected as much information about them as was then available; more recently there has been the work of Skeat and Wilkinson, but even now the remote tribes of the interior have been little studied. In 1937 H. D. Noone of the Perak Museum undertook an economic and demographic survey of the isolated lowland

primitives of that state, prior to sitting on a committee appointed by the Resident to draft plans for an Aborigines Enactment. The government was by then finally beginning to feel that it should assume more protective responsibility for the country's primitive races, chiefly because of the increasing exploitation to which they were being subjected by the Chinese and Malays.

Until recently there had been no coherent policy towards the Sakai, and Noone's report stressed its need. He urged the creation of controlled reservations which would serve as models for state officials, and in which the validity of customary land tenure and social machinery would be preserved. He felt that the general law of Malaya should be retained but should be invoked only when tribal legislation failed or when non-aborigines were involved. In December, 1939, the government of Perak announced its intention of not letting the war interfere with its progressive Sakai policy. Noone was appointed Protector of the Sakai, the first such officer to be appointed since the 1880's.

Pahang was the state most in need of such special protective legislation as Perak was then drafting. Many hundreds of Jalai Sakai live there by hunting, fishing, and primitive agriculture. They kill everything they can bring down with their blowpipes and trap fish wholesale, and then grieve over the shortage of both. A feckless and fearful people whom none seemingly can help, and whom anyone can exploit. The predatory Chinese and Malays advanced them salt, axes, and cloth, for which the Sakai gave in exchange far more than their value in rice and jungle produce. They were aware that they were being exploited, but were easily intimidated and were fatalistically resigned. The government was long urged to form reservations on which could be collected the scattered and nomadic Sakai, to finance their crops, control their trading and set up medical depots for them. Almost the sole champion of the Sakai was the well-known big-game authority, Theodore

Hubback, who contributed many articles to the local press on their behalf. He wrote of their merciless exploitation by traders and mining prospectors, and complained that the government had taken little action in regard to them save ethnological surveys and an occasional visit by the Health Officer. The Pahang government resented this criticism, but did little about it. Early in 1941 an official committee was appointed at Kuala Lumpur to formulate a Sakai policy for the whole Federated Malay States.

The Sakai of the Negri Sembilan who have adopted Christianity in the Tekir Settlement have evolved further than any of their brethren. In various parts of that state the government allotted lands known as Sakai reserves where they were exempted from paying land rents. In appearance and mode of life they resemble the Malays: they grow rice, tap some rubber, and raise animals in a small way. Those who live deeper in the jungles hunt monkeys for food, but even among them guns are beginning to replace the blowpipe.

The Proto-Malays, vaguely termed Jakun or Beduanda, have a number of primitive communities in the Malay Peninsula and throughout the archipelago. They speak a form of Malay and are thought to have migrated from their first Sumatran home; at one time they gave their allegiance to the Malay emperor of Johore. They are animists and are grouped in patriarchal communities under hereditary chiefs, living by hunting, fishing, and a modicum of agriculture. They are, however, much less culturally advanced than their Malay relatives, having never cultivated rice, woven silk, or worked silver. In modern times some of these Proto-Malays, who had come more into contact with the Malays, adopted Islam. In very recent years, they have been willing to hire out their services to fell the jungle, and to collect rattans and jungle produce for Chinese middlemen. One tribe of Proto-Malays was asked a few years ago to exhibit their skill with the blowpipe, and astonished the spectators by arriving in Ford cars.

They then proceeded to leave their khaki clothes and thermos bottles in charge of the drivers and disappeared into the forest depths in pristine nudity.

The Malay Peninsula, from north to south, furnishes an historical museum illustrating every grade of primitive culture, ranging from the wholly nomadic Negrito in the north living from hand to mouth off jungle produce to his more advanced fellows who had learned the rudiments of agriculture from his Sakai neighbors. The less nomadic Sakai too differ in degree of culture, depending on their contacts with the Proto-Malays; but they have not yet crossed the boundary between primitive culture and civilization by making permanent habitations and learning how to renew the fertility of their lands. The Malays with their system of rice irrigation did cross that boundary.

### III

## *THE LAND AND THE CLIMATE*

THE WELL MARKED BACKBONE of the Malay Peninsula with its minor parallel ranges running north to south divides the mainland into two disparate sections, in size, economy, and cultural development. Malaya's economic life is disproportionately developed on the smaller western side, where the coastal plains are far more densely and variously populated. These western states are accessible by short navigable rivers and have sheltered ports along their deeply indented coast line. They are also possessed of far better agricultural and mining land than the eastern side. The northeastern monsoons have isolated the eastern regions: on this side of the central range they have laid bare the mountain slopes, caused the rivers to flow more rapidly, and rendered the whole coast inaccessible during the winter months. The monsoons have therefore tended to preserve the Malay character of the eastern states by making them both less easy of access and less profitable to potential foreign immigrants. Until comparatively modern times there were no approaches to the high, aborigines-haunted hinterland save swift rivers and narrow jungle-covered valleys. Even now, two-thirds of the peninsula is largely mountainous, covered by a dense forest which has been cleared in comparatively few places. No wonder that the early Malays came to the peninsula by sea rather than overland and for many years rarely ventured into the unfriendly interior.

Rivers abound in Malaya, thanks to the great rains, but they are usually short and rapid, and since the advent of intensive tin mining many of them have silted up and periodically over-

flowed their banks. The largest of the peninsula's rivers are the Perak and Pahang with their many tributaries. The importance of rivers to Malaya, especially on the west coast, is shown by the fact that the boundary lines of most Malay states follow the river systems; these in many instances have given their names to the states. Moreover the bulk of the peninsula's tin has been found in these western river valleys. In and around them were grouped Malay villages under an hereditary raja, separated from their neighbors by forest-clad mountains which were for centuries virtually a no man's land. Malay settlements outside these river valleys occurred on estuaries or islands, and here the sea replaced the river as a source of food, transportation, sport, and sanitation. With the notable exception of the Kelantan River, these arteries, like the peninsula's mountain ranges, run north and south in their middle reaches, and east to west across the alluvial coastal plains to the sea. On the west coast many of the rivers are navigable to small steamers, and all fall into the sheltered waters of the Straits of Malacca; whereas on the east coast the mouth of every river is barred by sandbanks and the heavy breakers of the northeast monsoon have kept at a distance both trading ships and enemy vessels.

Malaya's climate is enervating by its monotony rather than actually unhealthy. The weather is consistently hot, and all times of the year are rainy. While seasonal variations in the rest of the country are negligible, the east coast differs from the center and the west in that the monsoons bring a more definitely stormy season from November to March. The bulk of the population of the peninsula lives at sea level, where the maximum shade temperature is between 88 and 92 degrees. But the temperature is only one factor in the climate; the absence of bracing winds and the prevalence of great humidity have a depressing effect, especially on Occidentals after long residence in the country. The rainfall is uniform and heavy throughout the year. Although there are no complete reports for all Malaya, the driest year recorded, 1930, had 69.13 inches

of rainfall; the wettest year, 1928, had 111.71 inches in the same district.

The psychological effects of Malaya's climate upon its inhabitants are important. The climate is very enervating to Europeans and the permanence of their residence there would be largely dependent upon the development of mountain health resorts and the conquest of epidemics. The prevalence of malaria was one of the reasons for the choice by Sir R. Ross and Sir P. Munson of Malaya for their researches which led to the conquest of the disease. Since the majority of Malaya's population came from the disease-ridden countries of India and China, the government has had to develop a fine public health service, and Singapore was selected as the headquarters for the League of Nations' Far Eastern health work.

The effect of the climate upon Occidentals and Orientals has varied. The Chinese or Indian who comes to the country is used to comparatively hard labor with little pay, while the European is accustomed to brain work with relatively good pay. All three groups live an unnatural life in Malaya, whither they come simply because they can make money quickly. Human labor that can be exploited really does not exist in Malaya, but what do exist are land and natural resources very exploitable by means of imported labor. The country itself is without financial backbone, so that foreign capital has had to be pumped into it, and industrial development took place on mass production methods without consideration for natural conditions. The scientific basis of colonization in Malaya has come entirely from Europe, for the tropics are not conducive to creative thinking along such lines. The natural resources are so rich that there has been no need to strain either body or mind in order to sustain life. With the transplanted Europeans, Indians, and Chinese a change of physical structure has taken place, and the farther north the immigrant comes from the more distinct is this change. This transformation is particularly noticeable in the Straits-born Chinese.

Naturally these more energetic immigrants regard native indolence with contempt, not realizing that it is essentially the product of a different environment and is suited to survival in a tropical country. To make Malays live in barracks, or to stand for hours as traffic policemen, or even to convert them into chauffeurs, has been to cast them into an alien and harmful mold. The Malays' mental outlook, like their physical way of life, reflects an enervating climate, a circumscribed horizon, and a bounteousness of nature which minimizes the necessity for exertion, which is always difficult, rarely indispensable, and often unwise. Asceticism and idealism have found no place in Malay philosophy, and in the modifications they have effected in their version of Islam make a faith quite different from that of their co-religionists in higher altitudes. Unhindered by an excessive idealism, the Malay pursues the course which comes easiest to him and the one best suited both to the climate and to his material interests.



## IV

### AGRICULTURE, FISHERIES AND FORESTRY

#### CROPS FOR DOMESTIC CONSUMPTION

##### *Rice*

THE DEPRESSION and the war of 1939 drew the government's attention to the continued disparity between rice production and consumption in Malaya, despite all the spasmodic efforts made to increase paddy cultivation. During the 1920's and early 1930's few people in Malaya noticed that the area under paddy was progressively shrinking and that the country was annually importing about half a million tons of rice at a cost of between sixty and seventy million dollars. A voice crying in the wilderness was that of the Chinese Chamber of Commerce in Singapore which proposed, in 1932, that the Chinese be given equal privileges with the Malays in rice production. But all the government could bring itself to do was to repeat for several successive years the temporary waiver for all current rent due on agricultural lands in excess of two dollars an acre, on condition that arrears should not be carried over from previous years and be paid at the full rate.

With the return of prosperity the interest which the average citizen had begun to take in the problem of feeding Malaya relapsed to become the dull if praiseworthy obsession of a few alarmists. The Sino-Japanese War vaguely revived this interest. It was evident that it would no longer be possible to obtain quick relief in a rice famine by sending Chinese laborers back to their home country free. Even if the entire Indian popula-

tion were repatriated, an enormous amount of imported rice would still be needed in Malaya. In 1937, when it was officially noted that the area under paddy in Johore had seriously declined, a fresh plea was made by the Chinese for permission to cultivate rice there. Reconstitution of the depression rice committee was mooted, this time for study of the specific problem of colonizing the new paddy areas opened by the Irrigation Department since 1931, but nothing came of it. There was still a large element in Malaya which contended that schemes like the Sungei Manik colony were ridiculous as contributions to the country's rice requirements, however valuable they might be from the viewpoint of rural welfare. Paddy would never become a commercial crop, and the Malay peasantry could never be persuaded to grow more rice than they required for themselves. After all, rubber was still the best crop for Malaya to concentrate on, since only a false and easy optimism could ever envisage complete rice self-sufficiency for the country.

The Munich crisis put an end to such theoretical discussions. The public was becoming less confident that the armed forces could maintain food convoys from neighboring countries in time of war. The possibility of mechanizing rice cultivation was momentarily revived, and there was general approval of the government's scheme of maintaining permanent rice stocks. The ban on paddy exports from the Federated States was accepted as necessary. An expanded public-works program to increase rice production in Johore was also accepted. When the Governor proposed a more radical method, he stirred up a hornets' nest. It was evident that the people of Malaya still looked upon racial issues as more important than the whole country's safety in what seemed the remote event of an international emergency.

The principles enunciated in the Stockdale Report of 1938 were the basis for the government's new agrarian policy. The recommendations of this report included a system of land tenure that would ensure the effective utilization of the land

already alienated for agriculture; the maintenance of a proper balance between the areas allocated for capitalized agriculture and the needs of the small holder, especially the Malay farmer; the provision of an adequate labor supply for estate agriculture and the regulation of their conditions of labor in regard to wages and health; the encouragement of new agricultural industries to insure stability by a greater diversification of crops; and the provision of scientific services for research and instruction, combined with the principle that whenever possible such services should be maintained by the industry concerned.

In implementing the rice aspect of this policy, the Thomas administration was faced with racial antipathies and also with the necessity of annually importing into Malaya—possibly under war conditions—two-thirds of the country's rice requirements. Statistics for the year 1938 showed that there were approximately two immigrants to every Malay in the country, and that only the Malays were feeding themselves. With the exception of what was carried by the peninsular railroad from Bangkok, most of Malaya's rice imports came by sea from the north. Java at that time had no rice surpluses for export, though an abundance of other foodstuffs. The annual per capita production in Malaya was only about one hundred and forty-five pounds, whereas per capita consumption came to approximately four hundred pounds—the highest in the world. Even the Unfederated States, the largest rice-producing area in Malaya, were growing only two-thirds of their needs, while the Federated States and the Straits Settlements produced respectively only 25 and 17 per cent of their consumption requirements. The total area under rice was 740,000 acres. More than half was grown in Kedah and Kelantan, whereas Singapore, which had the densest population of all, produced only a modicum of rice. In general, rice was grown most where rubber was the least cultivated, for the latter required less exertion and yielded greater profits. Although production in the interwar period had nearly doubled—increasing from

188,000 tons in 1919 to 340,000 tons in 1939—consumption had also risen from 558,000 to over a million tons. On the eve of the Second World War Malaya's dependence on rice was even more precarious than it had been in 1914. Moreover, during the First, peace in the Pacific had been assured.

In August, 1939, Sir Shenton Thomas threw a bombshell when he proposed opening the Malay rice monopoly to non-Malays. He stressed the dangerous rice position of the country as his excuse for reversing the time-honored policy of reserving all potential paddy lands for Malay cultivation. Farmers were urgently needed for the vast tracts of still unalienated land, and there was room for all races as, at the time, not even half of the available areas were under cultivation. The government had no intention of ousting the Malays, but they had not shown themselves overzealous to grow paddy beyond their own needs. The Malays, the governor conceded, had the right to ask and receive the assurance that the floodgates of immigration would not be opened to the land-hungry peoples of Asia, so the privilege would be reserved to the Chinese and Indians already in the country. In all probability the Chinese would not flock into an industry on which the cash returns were low, and in any case their holdings would be segregated from those of the Malays. Leases would be given to non-Malays only for a limited period, and the experimental character of the new policy was stressed. As the great majority of Indians and Chinese in the country were too poor to lay in appreciable food stocks, the government felt that it could not deny them the right to assure their own supplies in the case of a blockade. And the Malays were asked to reflect on the grave danger of rioting that would arise if the non-Malay population were threatened with famine while the granaries of the Malays were full.

This proposal came as a great shock to the Malays. So long as they had been able to rest assured that there would always be paddy land available for them to continue their traditional

rural life as independent farmers, and so long as the Chinese and Indians were confined mainly to the tin and rubber industries, living in groups by themselves, the Malays had felt that their villages were safe from invasion by an alien and unas-similable horde. *Majlis*, the Malay nationalists' organ, violently attacked the Thomas policy in an editorial entitled "Outraging the Malays' Heritage." If the country was deficient in food-stuffs it was simply because the government had encouraged alien immigration, and the solution was to ban the entry of any more. Foreigners had been permitted to exploit all other forms of industry, and now the Malays must protect their land as a matter of national honor and necessity. If war actually came, the Chinese coolies could plant food crops other than rice on agricultural lands that had been wrongfully diverted to mining, and Indian rubber tappers could grow vegetable crops on unutilized estate property. The Malay rulers were called upon to see that no such infringement of their treaty rights should occur. If the government seriously wanted to increase paddy cultivation it should directly subsidize Malay planters, assure them a minimum price for their output, teach them more scientific methods of cultivation, and provide better safeguards for their health. Malays had done their utmost to produce more and more paddy, as was proved by the increase in the acreage under rice over the past eight years.

The new paddy policy at once laid the administration open to a Malay attack in which old grievances were revived. The abundance of cheap imported labor had certainly retarded any real improvement in traditional agriculture, even on the larger plantations, and the government's retrenchment policy during and after the depression had hampered adequate experimentation with mechanized paddy cultivation. Wherever governmental agricultural stations had been established, the clumsiness of their methods had often amazed Malay farmers in that the amount of capital and labor involved seemed disproportionate

to the results achieved. The difficulties which the Agricultural and Cooperative Officials experienced in trying to alter Malay methods of cultivation had given them a healthy respect for local agricultural traditions as being well adapted to local conditions. The chief troubles of the Malay farmers—damage by pests and insufficient capital—had been inadequately handled. Instead of allowing the Malays to be squeezed out of their last economic stronghold, the government could better subsidize and improve the rice industry in Malay hands.

Special meetings of the Malay associations were called to protest against the new open-door rice policy. A letter of congratulation was dispatched to the Raja Kechil of Perak for his outspoken criticism of British policy which had permitted foreigners to invade the country without educating the Malays to compete with them, and for his plea that the government subsidize Malay farmers. But the Malay States' governments proved to be clay in official hands. Johore was the first country to open restricted areas to Chinese rice farming; Selangor, Perak, and Pahang followed suit, though the acreage so allotted was small compared to the total of the newly opened agricultural lands, and no definite regions were set aside for Indian cultivation. But in view of the opposition aroused, and because of the absorption of almost all the unemployed Chinese and Indian laborers by the tin and rubber industries after the outbreak of war, the government did not press the matter. Simultaneously the Malayan public began to consider food production less from its racial angle and more in terms of the national emergency. The government's pledge to encourage rice production solely for local consumption and not for export, coupled with its more active sponsoring of Malay colonization and agriculture, went far to calm the fears of native nationalists.

The Malays' reluctance to colonize the newly opened lands was due to psychological as well as financial causes. They had failed to take up much of the irrigated area because they could not get it on their own terms. The system of issuing only

temporary land licenses was in many instances responsible for their failure to plant paddy. Until a complete survey of all potential tin-bearing regions could be made, the government felt that it was inadvisable to grant permanent titles. Moreover, alienation on a temporary permit gave the authorities a chance to weed out the slackers. A minor objection was the still malarial character of some of the new colonization areas. Malay ryots are notoriously conservative, and many farmers simply did not want to pull up stakes and migrate to distant parts of the peninsula where they would become only cogs in a large rice-producing machine. Communal efforts are rare among the Malays, so far as food production is concerned. The Malay is an individualist and an isolationist who has little interest in how a large and alien population is going to feed itself. It was hard enough to get the ryot to grow enough rice for his family's needs on the land he already owns, and his planting is done unscientifically and usually indolently. The nationalists' plea that the government should teach scientific paddy cultivation to the young Malays who drifted idly about the villages did not take into consideration the fact that most of them did not want to learn. If they had been sincerely interested in growing rice they could have got land for the asking and cultivated paddy effectively enough by the traditional methods without waiting for the Agricultural Department to instruct them.

The question of subsidizing rice cultivation first came seriously to the fore during the depression. When the law in 1934 gave the Governor power under certain conditions to declare any area to be exclusively rice land, the Raja Muda of Perak pointed out that the real difficulty in increasing rice production was that it was far from remunerative, especially on new land. So he suggested that the government grant land on easier terms, and that fees be collected only after the third year of cultivation. But the government thought that its terms were already sufficiently favorable, since farmers were permitted to plant rice at the nominal rental of ten cents an acre. Nothing

further was done by officialdom except in terms of instruction, even for the land which they were anxious to have colonized. The government felt that it had done enough by providing irrigated lands on easy terms without being called upon to lend direct financial assistance.

In 1939 an official of the Cooperative Department estimated that a farmer and his family could cultivate about four acres, without hiring additional labor, and that this would bring them in about twelve hundred gantangs of paddy. After having donated his religious tithe the cultivator was left with 1,080 gantangs. At nine cents per gantang this would give him a gross income of \$97.20 for an entire year's work. Out of a monthly income of \$8 he had also to pay quit-rent and a water rate. Thus paddy cultivation was the poorest paid of all Malaya's industries: kampong life might be healthy, but it was hardly abundant and was certainly monotonous. Even a punkah puller was paid more than the planter of paddy. The answer to the ryot's indifference to bigger and better paddy growing was the absence of any assured return. If it was asked in the country's interests that a portion of the population should undertake the arduous task of rice cultivation, it had to be made more worth while.

To the Malay peasant rice-growing was first and foremost a means of life to himself and to his family, and he did not consider it as a commercial proposition. If he had a surplus he would sell it; but he planted the type of paddy which he personally preferred, and, when he could afford to, ate his fill and simply sent what was left over to the miller. The Malays were still producing for subsistence and not for the market, although their proximity to the growing towns and the foreign planting community in Malaya was beginning to make them less contented with the disparity between the two standards of living. Owing to the perennial abundance of cheap rice supplies from overseas little interest in Malay rice was ever taken by the general public, prior to the war, so that the native



peasantry had had to face ignorance and misunderstanding as well as financial and technical difficulties.

Gradually the government was forced to the conclusion that, if the Malays were to be the colonists of the new paddy districts, they must be helped more directly. The pioneer settler required at least four years, from the time the Irrigation Department had completed its scheme, to get his first full crop. How he was to live in the meantime had been nobody's concern but his own. The extent to which the Malays had colonized the Sungei Manik and Krian areas was, under the circumstances, highly creditable. With a population totalling slightly over two millions in 1939, the Malays were cultivating 740,000 acres of paddy land and had over the past sixteen years increased rice production in the peninsula by 27 per cent.

Various suggestions were made as to how the subsidy should be given. One was that a bounty be paid to Malay farmers at the mill; another that the local rice industry be protected by a tariff; still another that the unpopular depression tax on rice imports be revived and its proceeds applied to agricultural research. In September 1939 the government reiterated its intention of opening up as much additional land for food crops as possible during the next three years. But aside from the important assurance that the government was prepared to pay for the clearing and planting of these lands and perhaps to guarantee a minimum price for the crop during the first few years, the official statement was vague. No declaration was made as to what would happen after the initial period. Malay farmers still did not know whether they could establish their kampongs permanently on the new land, whether they would be given permanent titles, and whether the water supply was to be tax-free.

In January 1940 the government guaranteed a minimum price of \$2.50 a picul for standard paddy delivered to the state rice mills, and agreed to pay a bonus on the purest strains. Perak followed the official lead, and Kedah did likewise, al-

though at a lower minimum price; but Selangor did not propose to establish either a state mill or a paddy purchasing board. Such hesitancy was partly due to disagreement over the state rice mill policy. The Stockdale Report had cited a tendency among the rice millers in Malaya to form rings and to depress prices, and had therefore approved of the price stabilization resulting from the establishment of state mills, as generally beneficial to the industry. These government mills had also taken the lead in encouraging the production of under-milled rice, as part of the official campaign to improve village health, but this had made state-milled rice unpopular with Asiatic consumers, who vastly preferred the polished variety. Moreover, state mills had proved to be such expensive propositions that the government felt unable to pay high cash prices for paddy. Wherever the government had been unwilling to do so, shrewd middlemen had taken advantage of the chronic monetary needs of the Malay farmers and had diverted large quantities of paddy from the state mills either by advancing capital against the next season's crops or by making a higher bid. Nevertheless the government persisted in its policy and, after war broke out, declared its intention of erecting two more state mills. At the time, the government was operating only five mills through the whole country. But of the remaining eighty-eight only twenty-three were classed as large mills, with a capacity ranging from sixty to three hundred and sixty bags of rice per twelve-hour working day.

After six months' experimentation the government's policy of fixing a minimum price for paddy delivered to state mills was pronounced to be a success. New measures were under consideration, such as guaranteeing cultivators against certain types of losses, waiving the water rate on paddy land for a few years, and distributing fertilizer to farmers transport-free. Just as the earlier offer of irrigated land at cheap rentals had proved to be an inadequate inducement for large-scale colonization, so now the mere guarantee of a minimum price for

paddy was found to be insufficient to break up the miller and middlemen rings. When war broke out in the Pacific the government was faced with the probability that it would have to purchase the whole crop and market it. Experience throughout Southeast Asia has shown that once official control is instituted in one branch of agriculture it cannot stop short of total control, or else the middleman will step in and nullify such gains to the farmer as have been made.

While the government's rice policy registered encouraging results, it was still far from its goal of self-sufficiency. In 1940 the total area planted in paddy was 795,340 acres, marking an increase by 23,160 over the preceding year, which had likewise set a new record. But, even so, production only came to 355,138 tons and rice had to be imported that year to the value of over \$50,000,000. The fact that about three-fourths of the total area under paddy was located in regions which, except for Perak, were least touched by irrigation works meant that Malaya was still largely at the mercy of weather conditions. However, the real importance of the 1940 crop lay in its record value—over \$26,500,000—an increase of more than six dollars per planted acre over the 1939 season. This appreciably larger return was probably more effective than anything else in persuading the Malay farmer to plant every available acre in 1941. Other incentives were the increased cost of imported rice and the greater uncertainty created by the war regarding future outside supplies. The really discouraging feature in an otherwise promising rice situation was that Malaya was still unable to alter materially the ratio of local production to total consumption.

### *Food Crops Other Than Rice*

During the First World War the government's campaign to increase the planting of food crops other than rice had contained an element of compulsion which was disastrously absent from the similar program launched in 1939. In the early 1920's

the Agriculture Department had been deflected from rubber research to the study of food production, organized on a crop basis; and this proved to be of great use when the depression forced a renewal of interest in a greater diversification of Malaya's agriculture. At that time coolie gardens were encouraged, to the accompaniment of supervision and instruction by departmental officers. Unfortunately these measures, like their war predecessors, achieved only a temporary and doubtful success, and they were not continued on any appreciable scale, once the urgent need for them had passed.

The production of food on rubber estates, as distinct from small-scale vegetable cultivation by laborers for their own account, was encouraged only during Malaya's two depression periods. Even the Second World War did little to arouse planters to the need for assuring home-grown supplies. Although there were impressive exceptions, rubber estate managers failed not only to plant food crops but to make land available for their laborers to do so where such allotments were not already in existence. The rubber industry was still concentrating on its inedible crop, although it had additional land available for food production. The two obvious estate crops were tapioca and yams. The former, eaten as a vegetable, was a staple food in Malaya and formerly a catch crop with rubber. It grew easily almost anywhere and without much attention, but unfortunately took years to mature. More serviceable were yams, which matured sooner and had a higher food value than tapioca. Only ten acres planted to yams were required to feed the labor force on an average-sized rubber estate.

The war showed that planters would not grow food crops voluntarily, and, even if they as individuals wanted to comply, their agents or directors would not permit them to replace rubber trees with food crops or to devote land to these expensively cleared for rubber replanting. To be sure the government for many months had urged capacity rubber production as the planters' most patriotic duty, and estate owners

responding to this appeal felt that with depleted staffs they were doing very well to fill their quotas without planting food crops as well. The government could never bring itself to face the only two possible alternatives: to requisition rubber land for the planting of food crops, or to guarantee the purchase of such tapioca and yams as were produced, if the state of emergency should end before they were harvested.

In increasing the village production of vegetables the government faced two other types of obstacles. First, food crops other than rice could not be grown in Malaya continuously on non-virgin land without fertilizing either with organic manure, which was inadequate in a country where animal husbandry was practically nonexistent, or with chemical fertilizers, which were too expensive for peasant purses. Secondly, the majority of the population were wholeheartedly rice eaters and would not substitute other foods except under the direst stress. Any great increase in the production of other foods would not find a market so long as rice was available at a reasonable price. It was for that reason that the government concentrated chiefly on accelerating its rice program by means of more irrigation facilities and by a better utilization of the land already under paddy cultivation. So propaganda for the cultivation of other foodstuffs was limited to those required for the individual peasant or by labor forces. The peculiar local difficulties of this problem were analyzed by the Director of Agriculture in his report for 1940. In the absence of any further restriction of food imports the increase that had already taken place in vegetable production was nearly as great as the market could absorb without bringing about a fall to unremunerative prices.

An agrarian bias had long been a feature of the Malay village school. Every school that had land possessed a garden which was worked under the joint supervision of officials from the departments of Education and Agriculture. In the two years preceding the war there was something of a shift in policy: less emphasis was laid on the value of these gardens as

a scientific subject of the school curriculum than on their enhancement of the dignity of manual labor, of rural health and on their contribution to the country's food self-sufficiency. Unfortunately this reorientation came too late to help the war program. While over 10,000 pupils in the Straits and in the Federation had their own home gardens, this was generally conceded to be an artificial development dependent on school stimulus. Little was done to sustain the interest of boys in gardening after they had left school. And even while they were in school the boys had acquired little of the taste for agriculture that was supposed to effect a back-to-the-land movement. During the war it was very evident that school agriculture had led to no extension of the food crops on Malay peasant holdings. In consequence, government policy was beginning to show two new trends: one was towards a reconsideration of the type of crops grown in school gardens so that the schoolboy might make a more practical use in after life of the knowledge gained thereby; and the second was to send such teachers as had been outstandingly successful in their school garden work for special training to the Serdang School of Agriculture.

Chinese gardeners were always the backbone of market gardening in Malaya, for they were the only farmers who voluntarily grew produce on an appreciable scale wherever there was a market available and even when the profits were negligible. Until the war few towns in the country appreciated their dependence on the industrious Chinese garden-squatter. A war campaign consisting chiefly of the distribution of thousands of pamphlets in Jawi was launched to increase market gardening, notably on Penang and Singapore islands. This method gave rise to the usual criticism that the Agriculture Department depended too much on exhortation and too little on example. A few practice gardens concentrating on yams and tapioca would have been far more valuable than brochures detailing the elaborate possibilities of growing thirty

or more vegetables in the Colony. While the government did assign 360 acres on Singapore Island for vegetable cultivation in 1940, it took no action on the suggestion that it buy up the 3,000 acres held for speculation or planted with old rubber trees and distribute it to potential market gardeners in order to double the acreage already under cultivation. A large scheme was under consideration for making the island self-supporting in vegetable products; but when war broke out in the Pacific, Java and Johore were still supplying the bulk of Singapore's requirements.

Not only were the government's measures to increase vegetable production inadequate, but nothing was done to remedy a more serious weakness—the marketing problem. In 1939 the Agriculture Department circularized one hundred and thirty-one estates employing Tamil labor in Johore, urging them to grow more food crops. Eight thousand leaflets on vegetable production were distributed by the earnest Planters Association, which succeeded in increasing the crop area by more than seven hundred acres under market gardens alone. But at once it became evident that the surplus could not be disposed of at a price remunerative to the farmer. This had long been true of the Johore pig, which farmers had been encouraged to raise, but which fetched about half the price commanded by its Balinese confrere in the Singapore market. The various committees appointed to examine the increasingly acute problem of marketing Johore's agricultural output in Straits ports all concluded that Johore could triple its vegetable production if a regular and remunerative market were assured.

Another more localized aspect of the problem concerned the land tenure system in Johore. There a special condition was attached to lands recently alienated for rubber cultivation—that only rubber trees and no catch crops could be planted thereon. In 1940 many of the small holders who had responded to the government's plea to grow more vegetables, and who

had done so on rubber land, were served with notices that they must destroy their crops within thirty days on penalty of the land being repossessed by the government.

Thus a lack of coordination in the official effort was added to the absence of safeguards against overproduction and of facilities for the distribution of surplus supplies on the debit side of the government's self-sufficiency program. A muddled control was exercised over the country's agricultural efforts by a medley of land officers, agricultural officials, and rural boards, among whom practical farmers were conspicuous by their absence. While the Department of Agriculture conducted admirable research on the planting of foodstuffs, no arrangement was made as to who should plant how much of what varieties. Watertight divisions have always characterized Malaya's administrations, and particularly that of the Federation. And the government still was thinking in terms of revenues rather than of making the country self-supporting in foodstuffs. The Federal government even during the war would not alienate any good flat land at less than \$50 an acre. While the policy of alienation on temporary permits might effectively keep land speculators from acquiring property, it also discouraged market gardening, since squatters could not pay for the preliminary survey required for acquisition of permanent titles. A special wartime difficulty was the Rent Restriction Ordinance of 1939, which was passed in such haste that it omitted to protect the poor land tenant who needed it quite as much as his urban colleague. Squatters who for years had paid only a few cents a month for the right to cultivate a patch of ground and to build on it an atap hut suddenly had their rents raised—in some cases up to several dollars—with the option of moving away if they did not pay up.

Pahang, which had the largest areas available for food-crop cultivation, suffered a further disability in its lack of transport facilities which the government never saw its way to solve.



The vegetable industry which grew up in the Cameron Highlands had thriven in spite of the government. Credit for developing the Highlands, both as a health resort and as an agricultural center, lay with individual enthusiasts who fought against official apathy. The government failed to see that an investment in public works might eventually be an economy in that it would save leave expenses for British officials. Neglected as it was, the Highlands' revenues rose from \$21,000 in 1938 to \$63,000 in 1939. And even after the war made home leaves impracticable and placed a premium on vegetable production, the government showed no signs of a more liberal policy. The excuse given was that the recent high rate of land alienation there had raised too big a problem of anti-malaria control. The main misfortune of the Highlands was their location in Pahang, the poorest of the Federated States.

The labor code was another of the official "hindrances" to bigger food production. Standard wages were fixed according to the sale price of rubber, and they were generally considered by many vegetable farmers as too high. Nor, they claimed, could they afford to give the two months' maternity benefit or build the coolie lines required by the labor code. Suspension of such legal safeguards, as regards vegetable growers, might have been effective as a war measure, though it would not have solved the fundamental problem of achieving a permanent food supply for the country. The major need remained that of an assured financial return on food crops.

While it is impossible to get accurate data on Malaya's total food crops during the war, there was certainly a material increase in production. At the end of 1940 market gardens covered 15,000 acres, as compared with 8,500 in 1939; maize had increased by 5,000 acres over the 1939 figures, to a total of 8,000 acres; colocasia, by 2,500 acres to a total of 3,000; sweet potatoes, by 2,500 acres to a total of 14,000; tapioca, by 11,000 acres to a total of 47,000 acres. To summarize these returns and include other vegetables of lesser importance, the

area under food crops other than rice at the end of 1940 was 117,883 acres as compared with 91,782 acres in 1939.

Perhaps the most important factor encouraging this growth was the sharp increase in the prices obtained for local fresh vegetables. But despite this increase in production, and the far larger returns to the cultivator, vegetables were imported into Malaya in increasing quantities during the war years. In fact the net imports of all kinds of vegetables amounted in 1940 to 69,012 tons, an increase of about 8,000 tons over 1939, which in its turn had constituted a record year. While part of this increase was due to the demands of the growing armed forces stationed in the country and part to the inclusion in trade returns of deck cargo not previously included in ships' manifests, yet clearly Malaya was still far from her goal of self-sufficiency and of reserving incoming freight space for commodities impossible to produce locally. Up to the time that Malaya was invaded, the government was still groping for some means of encouraging greater food production without recourse either to compulsion or to subsidies.

#### OTHER CROPS FOR LOCAL CONSUMPTION

##### *Tobacco*

For many years tobacco, grown exclusively on small holdings, had been blended with imported leaf for the production of cheap cheroots, cigarettes, and pipe tobacco. A Tobacco Commission, appointed during the depression, was unable to recommend expansion of production until better methods of cultivation should be evolved by the Department of Agriculture. Although the government declared its desire to increase the cash income of the peasantry, the local demand for a better grade of tobacco was so limited that little improvement occurred in production methods and nothing was done about removing the high cost of licenses for curing tobacco. So estates were not encouraged to take up its cultivation, and the Malay ryot could only sell his raw tobacco to the various

Chinese and Indian cheroot factories dotted all over the peninsula.

While some effort was made to alleviate the burden imposed by wartime taxation on tobacco importers, nothing was done to help the native tobacco grower. The preferential rates retained on British tobacco manufactures bore hardest on native consumers, who smoked the cheaper imported brands. This, combined with the shipping difficulties, gave a fillip to the local tobacco industry, which began to expand rapidly in 1940. After the outbreak of war thirteen Chinese factories started operations, all of them using almost entirely the local leaf. Since their output was of a quality that commanded no market outside the laboring classes, there was no temptation to expand further. Tobacco imports in 1940 were approximately 12,500,000 pounds, about the average for the past eight years, although their value—\$19,500,000—was the highest recorded since 1930.

### *Coffee*

Coffee cultivation in Malaya never recovered from the disrepute into which it fell early in the twentieth century. This was caused by plant diseases, falling prices, and the ever increasing popularity of rubber production. Yet when rubber underwent a decline during the depression some fickle planters mildly renewed their interest in coffee cultivation. But the return of prosperity to the rubber industry caused coffee history to repeat itself so that at the end of 1940 there were only 16,522 acres under coffee throughout Malaya, chiefly along the western coast. Such increased local production as occurred was consumed by the domestic market, though it by no means supplied all the demands, and coffee continued to be imported chiefly from Netherlands India to the amount of over 12,000 tons in 1940. There is no doubt that the area under coffee in Malaya could have been doubled; but little interest was ever consistently displayed in its scientific development.

### *Sugar*

\* In the mid-nineteenth century sugar was an important crop in Malaya, but by 1900 it had virtually disappeared except along the alluvial coastal plains. In 1938 there were only 330 acres under sugar cane in the whole country. A brief revival of interest in the local production occurred after the invasion of Czechoslovakia and the unexpected partial failure of India's crop. But Malaya still continued to depend on Java's sugar, and in spite of the duty imposed on it by many of the Malay states the prospect of increased local production becoming profitable was so remote that no large-scale planting was undertaken.

### *Fruits*

In spite of sporadic efforts to stimulate local fruit production and the large acreage—approximately 190,000—under fruit trees, there was only a mild increase in commercial development. While locally grown fruits usually commanded a ready sale the marketing arrangements were often inadequate. To remedy this the Department of Agriculture experimented with canning, especially of Cameron Highlands products, and a small commercial factory began operations in Penang in the late 1930's. While the Stockdale Report recommended that more attention be given to fruit cultivation and canning, such increased production as occurred did little to alter the amount of fruit imported into the country even during the war years. The only fruit crop that was developed on a commercial scale was pineapples for the export market.

## CROPS FOR EXPORT

### *Pineapples*

Pineapples, like spices, were a crop introduced and cultivated by the Chinese; but, unlike spices, they grew increasingly important and followed the expansion of the rubber

industry from Singapore to Selangor, to Johore, and more recently to Pahang. For many years they flourished solely as a subsidiary to rubber; but when rubber planting began to be restricted in the 1920's pineapples passed beyond the catch-crop stage and were grown as a sole crop for export. In 1939 two-thirds of the pineapple area of 61,280 acres were planted as a sole crop, and of these over 50,000 acres were located in Johore.

Pineapple canning was Malaya's chief minor industry and the only one exclusively Chinese. The rapid development of this industry to the extent of twenty factories in 1939 was effected despite certain serious weaknesses—a lack of capital, the inability of canners and growers to cooperate, and the absence of large-scale enterprises. Feverish competition made profits negligible, and the fact that canned pineapples were not sold under their factory labels obviated any incentive to improvement. A depression commission recommended that plantations be established on which pineapples should be grown as the sole crop, that legislation be introduced for the control of the canning industry especially in regard to hygienic conditions, and that a special research officer be employed for the study of pineapple problems. After the registration of factories became compulsory the government was in a position to force their owners to improve their methods and conditions of work. In spite of Chinese individualism much was accomplished in standardizing output and in bettering marketing methods; but little was done to mechanize the industry and to check the overproduction which in the late 1930's became so serious a problem that the industry turned to official agencies for further help.

Remedial government action was progressively extended from improving production to the marketing angle. Factory conditions in the Federation were brought into line with Straits standards; the Malaya Market scheme was established,

whereby pineapples would be marketed under two strict grades and the qualifications for each were specified. Later in the year, following a scheme proposed by the canners, a central board of packers, officials, and canners was formed. Producers were required to sell exclusively to another new organization, the Growers Association; provision was made for a fixed annual pack, and prices were set for both the growers and the exporters. An improved quality product was thereby assured, and cutthroat competition eliminated. Further aid was given to this industry in 1939, when pineapples became the chief item on which a reduction of duty was granted by the United States under the Anglo-American barter agreement.

Conditions for this industry generally improved until the outbreak of war. Then the higher cost of tin plate and of labor added to the troubles of the trade, now unable to secure remunerative prices and shipping space for its product. A worse blow was in store when, in March 1940, the government in London prohibited the further import of Malayan pineapples to what had formed 80 per cent of its whole market. Unemployment became serious until the growing defense industries absorbed most of Malaya's pineapple growers and canners. The Central Board's insistent representations to the local government finally succeeded in getting the London Ministry of Supply to buy out existing stocks, but this did nothing for the surpluses of 1941. The Central Board's experiments in jam and juice production were not yet sufficiently advanced to be useful in this emergency.

Hard hit as the pineapple small holder was by war conditions, he was in a better position than the small coconut producer, because his labor was seasonal and could be absorbed by other industries. Pineapple areas were constantly being replanted, and when there was no market they could be brought under food-crop cultivation. Further, the pineapple

areas were usually much less isolated than those producing coconuts and were well interspersed with rubber estates, which readily provided work for many small growers. In the main, Malaya's large coconut areas were solely given over to that form of production, were far removed from rubber estates, and produced a perennial crop that, once it had reached the producing stage, made it uneconomical and often impossible to combine with catch crops because of the brackish character of the soil. Even large producers were forced by the war so to reduce expenditures that they were unable to absorb their small-holder colleagues as laborers. The result was that most of the coconut small holders were abandoning their lands, which depreciated irreparably, to seek work elsewhere. At current copra prices the best five-acre holding could not produce crops having an annual value of over \$120, or half the minimum required for a reasonable standard of village living, and the average holding yielded far less—probably not more than \$80. The causes of the depression which struck the coconut industry harder than that of pineapples were, however, the same—the loss of its European markets and the shortage of shipping space. While the large vegetable oil producers, representing probably 100,000 acres and £3,000,000 in capital, were without exception producing at a loss, the small holders, owning over half a million acres and numbering over 250,000 persons, were in a desperate plight and close to starvation.

In the case of both industries representations were made to the government, but to little avail. Markets and ships, the administration claimed, could not be created overnight; they would continue quit-rent concessions but balked at the idea of rendering direct financial relief. It was vaguely hoped that in the postwar era, as a result of the great slaughter of livestock in Europe, fats would be required and the vegetable oil industries thereby revived. But in the meantime it was overlooked

that coconut lands were going out of cultivation, that factory machinery was rusting, and that the whole industry would take years to resuscitate. The only interim solution offered was for coconut estates to be used as grazing grounds for the new government-sponsored cattle industry.

### *Tea*

Tea, areca nuts, gambier, and derris root were cultivated in Malaya partly for the domestic market and partly for export. Tea, like so many of Malaya's old-established crops, suffered from the rising popularity of rubber-growing, though it continued to be grown in conjunction with the latter to tide planters over bad rubber periods without entailing greatly increased expenditures. At the end of 1940 Malaya had almost nine thousand acres under tea as compared with twelve hundred in 1930, of which about half were situated in the Cameron Highlands. In contrast to pineapple and coconut production only about 600 acres were made up of small holdings. An encouraging feature of Malaya's tea production was its upland development by scientific methods and its early exploitation of the local market. The fact that about half of Malaya's tea was sold locally in 1939 was due both to its quality and to the protective tariff placed on tea imports into all states of the peninsula except Johore.

Malaya did not adhere to the international tea restriction scheme until 1937, and at once became dissatisfied with the quota assigned in view of the phenomenal expansion of her tea production and exports. As usual Malaya felt that London was responsible for saddling her with the restriction incubus simply because it was related to the other international control schemes for tin and rubber. In response to her plea that she be allowed to export each year a quantity at least equal in amount to her tea imports, Malaya was given permission in 1938 to plant such acreage as would produce an annual yield



not exceeding the probable yearly total of Malayan consumption—approximately seven million pounds. The better to negotiate with the international committee, Malaya's tea planters organized themselves into an association; but the Malayan government still reserved the right to reject such arrangements as they made.

Malaya's argument that she had benefited little from restriction, since her imports over the interwar period came to nearly ten times the amount of her exports, and since control had raised the price of these imports which still supplied the bulk of the local demand, did not take into account certain weaknesses in her tea industry. Under the conditions artificially created by the international agreement, prices were kept at a high enough level to make Malaya's expensively produced tea worth undertaking. The war also helped the Malay tea industry by stimulating local consumption. But in the event of a sudden fall in controlled prices or the cessation of wartime demand, Malaya's tea industry would probably have come to a halt since the current price was admittedly too high for a product not equal to the better Ceylonese and Indian teas. Although the government vocally encouraged tea production, as part of its diversified agricultural program, it never offered any financial aid to growers. However, direct financial aid was unnecessary as tea became progressively less of a small holder's crop. The war also brought prosperity to the industry by opening up new markets. This compensated for the loss of the continental European market and the drastic (33 per cent) reduction in British tea consumption.

*Areca nuts.* Another happily placed industry was that of areca nuts. The popularity of betel nuts for chewing has not been seriously assailed by the spread of tobacco-smoking among Asiatics, and the fluctuations in its export from year to year seemed to depend only on the amount available to the trade. The export, chiefly to India, did not fall off even during the depression, and expanded after the outbreak of war, in

spite of the fact that Malaya also was an importer of areca nuts. In Malaya it was a small holder's crop and never the object of plantation solicitude despite its potentialities for expansion. Penang developed in a way so divergent from its founder's intentions it even forgot that its name was originally derived from this nut.

*Gambier.* At the end of the nineteenth century gambier was the second most important crop grown in Malaya. In more recent times, however, it was cultivated chiefly as a catch crop for rubber, and its production declined in proportion as the rubber areas came progressively into tapping. Wartime conditions made this crop unattractive, and the industry was moribund, exports in 1940 falling for the first time under a thousand tons.

*Derris.* Derris or tuba root was a local crop for which there was a fairly steady demand at reasonably high prices in the 1930's. About half the derris grown in Malaya was sold as an insecticide in the American market, where, however, it had a formidable competitor in the cheaper root produced in South America and Formosa. Although exports were well maintained in 1940 and fetched higher prices than the year before, this industry's long-term prospects were not bright. About half of the ten thousand acres under derris supplied a catch crop with the ubiquitous rubber tree.

The cliché, "too little and too late," can well be applied to Malaya's agricultural program. While the First World War and the depression had brought some realization of the need for more and better agriculture, the periodic return of prosperity to the tin and rubber industries diverted both the public and the governments of Malaya from the fundamental necessity of endowing the country with a more diversified economy that would raise the native standard of living and make it less dangerously dependent on outside food supplies. Temporarily waiving quit-rents was not enough for a country that required

a radical revision of its land-tenure system. The Agriculture and Cooperative Departments did heroic if uncoordinated research and propaganda, and the Irrigation Department provided the means of rice improvement; but the crop work of the former was on too theoretical and restricted a basis, while that of the latter alone was not enough. Highly capitalized and scientifically worked agricultural industries, geared to the export market, were able to survive falling world prices and governmental inaction, but small-holder-farmers who required more direct backing and tutelage were allowed to go to the wall. Even the government's self-sufficiency food program, undertaken only through wartime pressure, was half-hearted. Unfortunately and ironically, just when officialdom was faced with the inescapable necessity of doing something drastic about Malaya's most vital food crops, the country was violently removed from its charge.

### *Natural Resources*

In justice it should be said that one of the greatest stumbling blocks to the government's food program was Malaya's poor soil: this contrasted with Java's, which had a volcanic fertility. But the government not only failed to remedy the natural poverty of Malaya's soil but encouraged both the tin and the rubber industry, whose operations further weakened the agricultural structure. For the decline of coffee, gambier, sugar, etc.—crops which had figured heavily in Malaya's agricultural history—simple inattention to soil fertility and plant disease problems and the greater popularity of rubber were largely responsible. But in the rush to convert every possible inch of the peninsula into rubber land the government failed to adopt adequate measures against erosion, which the expansion of that industry greatly accelerated. Nor did it take sufficient steps to prevent the silting which resulted from mining operations, with the result that Malaya's rivers flooded easily and were depleted of their fish supplies.

*.Animal Husbandry*

The absence of animal husbandry in Malaya was an obvious cause of the soil's poverty. This was partly due to the Malays' religious and social habits; the proximity of pigs was anathema to a good Muslim, and the acquisition of draught animals for rice cultivation might require Malay men to help their women work in the fields. But the Chinese in Malaya suffered from none of these scruples—on the contrary. The Indian laborer was prevented from keeping more livestock on his own account only by estate managers' fears that animals would harm the young rubber trees.

As to official efforts, the Veterinary Department specialized only in disease prevention, and its lack of organized research as applied to animal husbandry was only too evident as soon as the war broke out. The immediately noticeable upward trend of pork prices drew public attention to the thousands of dollars being spent annually to import 150,000 live pigs, chiefly from Bali, which might with a little more effort have been raised locally. Only six months before war broke out it was authoritatively stated that Malaya's pig breeders, principally the Chinese of Johore, could if they so wished supply Singapore's pork requirements within the space of one year. Largely because of the adverse exchange rate and later shipping difficulties, the import of Balinese pigs declined sharply, throwing a heavier strain on Malaya's unprepared pig breeders, who were almost entirely small holders raising pigs in conjunction with some other means of livelihood.

Improved pig breeding and cattle raising figured heavily in the official animal husbandry program launched in 1940. The old belief that Malaya's climate was unsuited to the rearing of livestock was exploded by the flourishing condition of the pigs and cattle, imported or domestic, bred in the country. Even the local sheep and goats, sorry representatives of their races, improved remarkably under scientific crossbreeding and feed-

ing. Less success attended the sporadic efforts to improve poultry raising in Johore: these desultory attempts had done nothing to overcome the prejudice in the domestic market against home-grown livestock. But when this prejudice threatened to lead to starvation, and the war made the question of food supplies no longer one primarily of dollars and cents, the government decided to embark on a large-scale animal husbandry project.

One of the first handicaps to be overcome was the difficulty in importing animals for breeding purposes. War conditions, however, enabled Malaya to bring pressure to bear on the Netherlands Indies and also on Thailand to relax their prohibition against the export of stud animals. Had it not been for the shipping situation, it would have been simpler to obtain such animals from India, where there was no analogous export reluctance to overcome, and where there were many breeds known to flourish in Malaya.

Although the purchase of such animals had been going on for two years, up to the time that Malaya was invaded there was little evidence of any permanent establishment of livestock breeding on a substantial scale. The greatest progress was made in the allocation of grazing grounds to supplement Malaya's natural deficiency in pasture lands. The government proposed to solve the problem of fodder by making a survey of the peninsula's grass areas with the double purpose of encouraging animal husbandry and of helping to revive thousands of acres then lying neglected. The survey was never made, however. A more immediate problem, one due wholly to the war, was the difficulty Malaya's livestock farmers progressively experienced in getting rice bran from abroad. The Controller of Prices was, as usual, blamed for the shortage and the disparity in prices between the source of supplies and the Singapore market, which permitted profiteering to flourish unabashed. The government still shied away from becoming the sole importer of feed, just as it did from compelling own-

ers of agricultural land to raise a minimum number of food crops and livestock. Here again, officialdom was working negatively and at cross-purposes. In spite of the official program to encourage livestock breeding, the Health Department repeatedly broadcast the dangers of breeding cattle locally because Malaya's grass lacked the essential vitamins, just as it had for years discouraged the sale of Chinese market produce by dwelling on the dangers to health which arose from their methods of fertilizing.

### *Fisheries*

The imminence of war did little to arouse the government of Malaya to the dangers of permitting Singapore, the largest fish market in Malaya, to remain almost wholly dependent on foreign fishermen and on foreign sources for its supplies. Negotiations were carried on, in the fall of 1939, to reduce the number of licenses granted to Japanese fishing boats; but how ineffectual they were can be judged by the announcement in January 1940 that these licenses would be extended for another six months. After that, silence fell on the whole matter aside from the publicity given to the government's continued efforts to train Malay fishermen in methods that would permit them to compete with the Japanese.

Six months before the war broke out in Europe, a Fisheries School was opened in Singapore to which eighteen Malays were sent for a two years' course in navigation and modern fishing and canning methods. The canning end of this program was deferred because of the difficulty of getting the necessary equipment in wartime. This attempt, however, marked an important advance in the government's recognition of responsibility toward the country's fishermen, whose plight, notably in Malacca, verged on starvation. In spite of frequent representations to the Legislative Council, nothing had ever been directly done to alleviate their distress.

Nor was there even a long-term prospect that the govern-

ment might interest itself in conserving Malaya's river fish. Critics of the official attitude usually claimed that it was consistently one of indifference towards all resources that earned no revenue. Mining legislation had not prevented the pollution of many of Malaya's rivers, which had had disastrous effects on their fish. No attempt was made to foster what might have become an important minor industry, and no rules governed the catching of river fish. The only such regulations extant concerned the rainbow trout planted in Cameron Highlands' rivers. Money was spent on this "exotic" industry for the pleasure of the few, while the conservation of indigenous river fish, the food as well as the sport of the many, was ignored.

Malays enjoyed a considerable share of the east-coast fisheries, especially those of Trengganu, though the financing and marketing, excepting in Johore and Singapore, were wholly in Chinese hands. Only Trengganu's catch was large enough to provide a surplus for export; but the primitive methods used there for icing, drying, and packing the fish were responsible for the low price it fetched in the Singapore market. In spite of the undeveloped state of this industry Malaya's fish resources provided considerable revenues to the peninsular states and also comprised the most important protein part of the local diet. There was available for every individual in Malaya well over a tahlil of fresh fish a day, based on the estimated total production of 89,902 tons in 1939.

### *Forests*

Nearly 77 per cent of Malaya's total area was classified as timber land, now chiefly located on the east coast, and about a fifth of this area was in reserved forests. The mangrove forests, along the west coast, have been under intensive and controlled working in recent years. Lowland forests, representing almost two-thirds of the whole and constituting the bulk of Malaya's timber capital, have suffered the most serious inroads,

through direct exploitation and through being cleared out to make way for agricultural and mining enterprises. The hill forests were far less affected by the economic development of the country, although they were subjected to the shifting cultivation of nomadic tribes. Inevitably Malaya's mountain forests were the least touched of all, but in comparatively recent times were opened up for hill stations and for some agricultural development.

In theory the forest reserves were administered by separate state departments, but in practice there was a unified forest service under an all-Malayan director. The department's goal of making Malaya self-supporting in timber, of protecting water supplies and guarding against erosion, and of preventing the destruction of timber on land earmarked for future agricultural or mining activity, ran into serious difficulties of two sorts. The first concerned the policy of increasing the reserved area from about 6 per cent of the total, after the First World War, to approximately 20 per cent in 1939, which trod on the toes of Malaya's most important industries. The second type of difficulty arose from the methods adopted by the department to increase the proportion of valuable timber, which involved converting a maze of jungle containing two thousand more or less useless species into a solid stand of a few useful types, by removing undesirable trees, chiefly through granting commercial permits and less often at government expense. In pursuing both policies the department substantially reduced the area of jungle it needed—by 1939 more than sixteen thousand acres had already been converted in this way and another hundred thousand were in the process; but its insistence on reserving vast tracts of unexplored forest land in the most accessible districts until their timber potentialities could be accurately determined aroused vociferous protests from miners and planters.

In 1937 a sudden and unexpected demand for the release of extensive areas always regarded as permanent reserves caused



considerable uneasiness to forest officials. Thousands of square miles were successively extracted from their holdings to constitute a national park in Pahang, a Sakai reserve, and a paddy irrigation scheme in Perak, and to serve as mining areas in many places throughout the peninsula. The Forest Department, while expressing sympathy with the claims of these various interests, stressed the long-term aspect of forest conservation and their importance not only for the native population in terms of jungle produce but for the whole country's future welfare. To provide for Malaya's annual timber consumption of some forty million cubic feet (about 44 per cent over current production), the department required that a million acres of reserved forests be brought under intensive management. Eventually the department agreed to a compromise under which land was not to be included in the intensive treatment area until it had been unequivocally declared unsuitable for mining, and the Malay states agreed to finance a comprehensive scheme that would adjust the interstate supply and demand. In the past, deficiencies in one region had been met largely from state forests; but that source of supply, excepting in the east coast states, was within sight of complete exhaustion.

In implementing its long-range policy the Forest Department was hampered not only by the demands of the tin and rubber industries for immediate reallocation of reserves, but by the necessity for earning revenues. In the eyes of officials and "unofficials" alike it was the steady revenues brought in by this department which justified its existence, not the preservation of the country's natural resources for posterity. The mining industry believed that through the market it offered for forest products, in terms of fuel and poles, it was responsible for the strong financial position of the Forest Department; but this dependence worked to the disadvantage of the ultimate goals set by the department in that it rendered any immediately unremunerative work unpopular. From its establishment in 1901 to the eve of the Second World War, the

Forest Department in the Federation alone collected revenues amounting to almost \$40,000,000, showing a surplus of \$12,500,000 over expenditures. Greatly to its credit was the fact that this financial triumph had not been achieved at the expense of most of the country's marketable forest capital, though the struggle to retain it as such was growing ever harder with the miners' increasing insistence on more prospecting licenses.

This enforced revenue bias, for which the Forest Department could not be blamed, was partly responsible for its extravagant and wasteful felling system. To avoid the expense involved by taking adequate supervisory and assessment measures, the department turned Chinese cutters loose in the less accessible reserves to rid the country of unwanted trees at no cost to the government. Since royalty was paid only on timber that actually left the jungle, the Chinese felled only what was convenient and left much utilizable though—to them—less profitable wood to rot on the ground. The Chinese who worked timber in Malaya were mostly without capital, without mechanical appliances, and usually had natural means of transportation alone. Consequently they took only the easily extractable timber that grew nearest to the railroads, roads, and rivers. The Forest Department never constructed any timber tracks or roads, relying on natural communications and on estate roads without which much of Malaya's timber would have proved practically valueless. Since the price of timber depended largely on the cost of transport, even a poor forest that was accessible was more valuable than a good one that was not. A little more liberal policy on the part of the government would have left Malaya with even greater timber resources than she has today.

The official treatment of Malaya's natural resources reflected accurately the attitude of all the foreigners resident in the country. They were there temporarily and to make

money, so that long-term projects which contributed to the prosperity of posterity, but were not immediately realizable, held little interest for them. Though they might and frequently did criticize governmental inaction and extravagance, they would not have been willing to forego monetary returns or subject themselves to the taxation necessary to conserve and amplify Malaya's natural resources.



## *TIN MINING AND SMELTING*

NOWHERE IN THE WORLD are the deposits of tin so rich and so widely distributed as in Malaya, where ore is found on mountaintops, in coastal swamps, and two hundred feet underground. The Chinese are the people most closely identified with the development of Malaya's mineral wealth; and their old workings, long antedating the advent of Europeans, abound in the eastern states of the peninsula, which were most accessible to China. The first Chinese miners did little more than dig holes in the surface of the richest deposits; when they had exhausted these they simply moved on to another spot. Later tin was mined chiefly by the opencast system, which, though declining, still prevailed among the Chinese who continued to use primitive methods and hand labor. The introduction of machinery by European capitalists in the twentieth century forecast the end of the Chinese hold over Malaya's tin industry.

Government control was established early in the British administration of Malaya, in mining legislation and export duty. The latter was a direct heritage from the old Malay sultans who "fostered" the industry by exacting tin as tribute. The British made its amount uniform and reduced the rates, but they remained high enough for this duty to become the mainstay of the Federation's budget for many years and to discourage the rapid development of tin mining. Later fixed rates were recognized as detrimental to an industry afflicted with price fluctuations, and a sliding scale of rates was adopted, adjusted to the shifting market value of the metal.

From 1900, when European capital first became seriously interested in Malaya's tin, a series of enactments established official control over mining in all stages, from the acquisition of land to the disposal and smelting of the ore. The usual lease period was twenty-one years, and the annual rental of mining land was about a dollar an acre. The government was careful to maintain control over watercourses in order to prevent one group of miners from monopolizing a resource so essential to the whole industry. Malaya's rivers were cleared; roads and railroads were built to connect the mines with the nearest waterways—all from the proceeds of the tin export duty. In fact, so lavish was the encouragement of this industry that there were bitter complaints when, subsequently, the government had to step in to prevent the needless destruction of fine timber on mining land and the flooding which resulted from the equally heedless silting up of the rivers through the washing of tin ores.

The change in the nationality of control—from Chinese to British—made it harder for the government to deal with the tin industry, and it also created new problems. In the interwar period the Chinese were still the industry's laborers, but they were no longer its major capitalists. After peace was declared in 1918 capital once again was available for investment overseas, and with the industrial expansion that followed there came a demand for raw materials, in whose production the newest technical developments were applied. The overrapid progress of bucket dredging for tin had a revolutionary effect on an industry which had been starved for capital. Its installation permitted the profitable working of abandoned Chinese mines and of ore deposits heretofore neglected because of their inferior quality. In the late 1930's about forty British companies, with a capital of from eight to nine million pounds, were engaged in tin dredging in the Federated States alone, from which came about nine-tenths of Malaya's tin. Most of the rest of the capital invested in Malaya's tin mines, totalling over

£13,000,000, was denominated in Straits dollars, chiefly British. Chinese output on the eve of the war accounted for only about 36 per cent of the ore produced, exactly reversing the financial position in 1920. The use of machinery grew with the expansion of Malaya's coal, timber, and hydroelectric industries, and the labor force employed in tin mining declined proportionately.

The overproduction that resulted from this expansion of mechanized mining gave the advocates of restriction a big talking point when they pointed to the need for a better adjustment of supply to demand. But demand varied with price, and there was little agreement on the latter point between the dredging companies, which represented capitalist investment and high-cost production, and the Chinese hand producers of tin. The international restriction of tin placed the dredging companies in the saddle, and consequently their concepts of production costs came to determine the level of prices. Super-restriction, designed to force up the price of tin metal, stimulated production in non-restricting countries, and not only defeated the original purpose of international control but also rendered abortive much of the postwar investment in tin mining.

In the interwar period the old complaint that capital was not available to develop Malaya's tin deposits gave way to a new grievance—that the government's policy on alienation of land for mining was hampering the industry's expansion. This derived largely from the restrictions which capitalists termed onerous, and also from the government's freer alienation of land for rubber growing, which had the consequence of making investment in that industry seem less hazardous. With the advent of internationally controlled production new prospecting for tin land was prohibited.

By 1937 Malaya's tin reserves were so depleted that the government yielded to the miners' persistent agitation and partially lifted the ban on new prospecting. A flood of applica-

tions followed immediately, but the results were disappointing from the miners' viewpoint, owing to the limited areas made available, to the restriction of the privilege to approved prospectors, and to "interference" by the Agriculture, Irrigation and Forest Departments. Miners pointed to the relatively small region under mining lease—202,019 acres as compared with 4,851,376 acres under forest reserves and 2,605,331 under agriculture, not to mention the Sakai and Malay reservations. Agriculture, they said, could be practised in many places, mining in only a few. This comparison, however, was not fair, since mining was concentrated on the plains and timber was unprofitable unless it was accessible to markets. Moreover, the presence of a market usually denoted the proximity of mines, since the peninsula's densest population was in the mining areas.

Unfortunately, too, the areas situated so that only a cursory examination would prove whether or not they contained ore in payable quantities were also most suited to paddy cultivation. It was simple enough to dismantle and move a dredge, but it was very difficult to recondition abandoned tin land for agriculture. Even more difficult, as well as dangerous, would be the removal of an agricultural population of Malay small holders and the revocation of their reserves to companies consisting largely of foreign shareholders, whose sole interest in these areas was the maximum return on their invested capital. Yet the mining companies could reasonably claim that it was unfair to deprive Malays of the large sums they were prepared to pay for the land, and that the whole structure of the country's well-being, in terms of public works and social services depended on the 12 per cent royalties paid by tin. The government was indeed the largest shareholder in Malaya's tin industry, whose earning power it could not afford to impair. The dice were already heavily loaded in the miners' favor before the war tipped the balance further. Even in peacetime, long-range forest and Malay agricultural policies stood no chance in their struggle with tin. Not only was it

the country's main revenue-bearer, but it was a wasting asset which required immediate exploitation because of the highly competitive character of its market. As the prospecting policy worked out in practice, applications for large new areas were not easily overlooked, and it was the interests of small miners—although they produced about a third of the country's tin and employed a larger percentage of labor—which suffered from the government's delays and vacillation.

Nevertheless both large and small miners agreed that the government was not doing all it could to aid private enterprise in its search for new tin deposits. It had failed to implement the recommendations made by the Fermor Report of 1938; it had not undertaken a survey of the whole country before blanketing more areas under reserves; and the prospecting and leasing procedure was still tied up in yards of red tape. Even during the war permits either were refused out of hand or were simply not dealt with, although many applications had been filed for years. Almost every government department had to be consulted, and once the dossiers started on their weary round they continued indefinitely, as no one seemed willing to assume responsibility for a decision. This apathy and the excessive discretionary powers given to officials over the issue of licenses were criticized long before corruption was proved to be widespread in the Mines Department by the sensational trials of a number of its highest ranking officers in 1940.

The government of Perak was the first to break the prospecting deadlock by appointing a committee, in 1938, to make a systematic survey of all that state's mineral resources. The wartime need for tin finally stirred the central government to follow this lead, and in 1940 a more comprehensive and uniform policy for the Federation was reported to be under official consideration. This was hailed by the miners, who took it to mean that the heretofore sacrosanct reserves would be at last opened to private enterprise. Simultaneously,



it was violently denounced by the Malays, who had already been alienated by the prospect of having their rice monopoly assailed by alien Asiatics. Although the war had made rice cultivation more important in official eyes, the importance of tin had likewise been increased, and with it the government's dependence on tin royalties. Officialdom was caught on the horns of this dilemma. The contradictory measures that followed were evidence of the government's vacillation. In March 1941 the announcement that applications would be considered for licenses and leases of sections of the agriculture and forest reserves was followed, nine days later, by a sudden closing of the books on the ground that the department's staff was too depleted by wartime duties to handle the additional work. To propitiate the mining companies, which renewed their bitter complaints that the war quota releases were rapidly working out their reserves without permitting any adequate provision for their replacement, the government reversed its earlier policy and stated that, beginning in January 1942, the long-demanded reassessment of domestic mines would be undertaken.

While the exports of Malaya's tin had tripled, over the same period their percentage to world output had declined from 56 per cent in 1904 to 36 per cent in 1929, because of mining developments in Bolivia, Nigeria, and elsewhere. The fall in prices, dating from the 1926 peak of £284 a ton, heralded the overproduction of tin, which became the outstanding feature of the 1930's. As in the rubber industry, the production of tin rose feverishly as prices declined, with an ensuing accumulation of physical stocks and monetary losses, yet international restriction was slower in getting under way for tin than it was for rubber. First the government curtailed the prospecting of new lands, then the miners tried voluntary restriction among themselves—both to no avail. Many of the Chinese mine owners had turned over the working of their properties to their laborers—who in turn were barely able to

live off the proceeds—when a general realization that the country could no longer afford to dissipate its richest, irreplaceable asset forced the industry to accept restriction on an international scale in 1931.

A British-dominated committee representing the four governments of Malaya, Netherlands India, Bolivia, and Nigeria undertook to restrict output to meet consumers' demands and to reduce world surplus stocks. They took as standard tonnage production for 1929, and apportioned the permissible quota to be exported each quarter by each participating country. Although tin was incapable of the same indefinite expansion as rubber, identical weaknesses in the two schemes soon became evident: both had ignored the small producing countries, whose output was stimulated by the high prices assured by restriction. Eventually most—but not all—of them were absorbed into the cartel. But in return for averting this danger Malaya, already aggrieved by what she considered as too low a standard tonnage, felt disproportionately penalized as the cheapest and largest tin-mining country in the world. This was especially true of Malaya's Chinese miners, whose small capital reserves and large labor forces made them willing to produce for the meagerest profits, and therefore more opposed to restriction than any other local element in the industry. While a divergence of opinion existed between the small Chinese miners and the European dredging companies over the benefits Malaya derived from restriction, throughout the 1930's, there was a more obvious cleavage in interests between the London-registered concerns and those locally domiciled—less on the principle of international control than on the high-price policy pursued by the cartel. Nevertheless restriction proved to be profitable to Malaya's tin companies, on the whole, so that the industry adhered to three successive schemes in the decade.

Although the two problems were interrelated and the issues involved not clear-cut, the local struggle centered around the

sale of export-right coupons, and the international battle focused on the question of creating a buffer tin pool. The traffic in coupons was exercising a nefarious influence on Malaya's tin industry analogous to that of rubber-rights sales, and it reached such a pass in the middle thirties that it became one of Malaya's leading industries. In general, it effected combines between the larger mines to the detriment of their smaller colleagues. Such combines were not confined to contiguous mines, or even to those under the same ownership; sometimes a series of mines was worked in rotation to extract their combined quotas while other properties, often assessed at large amounts, lay idle for long periods. The worst form of this abuse occurred when the owners of poor tin land simply sold their export rights, which were in consequence exercised over distant mines in which the sellers had no direct interest. Through this loophole a number of mine owners were able to draw substantial incomes for years at a stretch from properties which, had they been operated, would have been worked out long since. There was a crying need for the reassessment of each individual mine, but no such revision occurred after that originally undertaken in 1929. In general, it was the "have nots" among Malaya's miners who pressed for reassessment and for a controlled sale price for quota rights. Throughout the decade each successive quota cut provoked a rush of coupon sales by the small miners to the dredging companies, which not only strengthened the latter's domination of the industry but also increased unemployment, since it was the smaller mines that principally used hand labor.

While the war, and the American emergency buying that preceded it, progressively reduced the sale of export coupons to approximately zero, and encouraged all-out production by large and small miners alike, the latter group was indirectly penalized by the earlier situation as it had affected labor. Although the sale of export coupons was the immediate cause of closing down many small mines, the cuts in Malaya's tin

quota and the increased use of power-driven machinery were ultimately responsible for the rapid decline in the number of coolies employed in mining. On the eve of the Second World War the labor force employed by the whole tin industry in Malaya had shrunk to 49,000 as compared with the pre-restriction average of 100,000 men. The American business recession of 1938 had caused thirty-one companies in Kinta alone to stop work, throwing 27,000 coolies out of jobs. Repatriation, Malaya's traditional depression solution to the unemployment problem, was no longer feasible because of the war in China, and this forced the Federated government to devise some means of local relief that kept the majority of mining coolies in the country. So while Malaya experienced something of a labor shortage as the European war progressed, the situation was not so bad as it might have been, thanks to the force of external conditions rather than to the foresight of either Malaya's administration or the big companies. Because they were willing to accept smaller profits and in order to minimize the labor disorganization which had already reached serious proportions, the Chinese miners supported the institution of smelters' stocks and of a buffer pool.

On these issues Malaya's big European companies were acrimoniously divided. The London-registered companies maintained that the creation of a pool would minimize disastrous price fluctuations, by keeping the price of tin between £200 and £230 a ton, and would furnish a source of supply that could respond more quickly to the market than did the cumbersome device of a quarterly alteration of exportable allowances. The big all-Malayan companies, which, unlike their London competitors, had no tin interests in other countries, felt that their advantage as cheap producers was being sacrificed. They wanted to accumulate their own stock reserves and administer them strictly on behalf of Malaya's industry, rather than submit them to London's control. But because the tin industry in Malaya was divided against itself into three

camps London's international interests scored an easy victory. They were able to enlist the support of the Colonial Office, which in turn exercised pressure on Malaya's government. While Sir Shenton Thomas stressed to the Secretary for the Colonies Malaya's need for a disinterested management of pool operations, the independence of the local government in tin policy was no longer even a tenable illusion. As a small sop Malaya was offered a 7.5 per cent increase in her standard tonnage, and permission was given by the Federal government for the accumulation of stocks by smelters.

All-Malayan producers were not mollified by what they indignantly denounced as only a small portion of their due. The pool, they said, would act as a palliative for half a year, while its permissible maximum of 15,000 tons was being won, but thereafter the industry could not escape facing the hard reality that tin was being produced, far in excess of world needs. This respite would have to be paid for higher in the end, since the pool would further weaken international restriction and lead to greater division between local and international interests. Fundamentally their fear was lest the pool be used by the non-Malayan interests to get complete control over the production and marketing of tin. Instead of raising the quota, the international committee could simply swell the pool, by getting supplies direct from producers rather than by purchasing the metal in the open market, and might use pool operations for a stranglehold over both ends of the industry. The bigger the pool became—and it would be easy to raise the legal maximum—the less consideration would be given to producer interests, and the more markets Malaya would lose, since the high price maintained was already stimulating outside production. The buffer stock might in this way become an international marketing organization, operating for profit by buying tin at a low price and selling it at a high one—indeed a case of the pool-tail wagging the restriction-dog. Actually, conditions created by the war effected this very

change, but through governmental agency and not by pool operations.

The opposition of all-Malayan producers alone would have been ineffectual had it not been supported by American consumers, who were waging an undeclared war against the pool and against restriction generally. This unnatural alliance was based on mutual opposition to the cartel's high-price policy, and in the case of American consumers their retaliation assumed the effective form of curtailing their purchases from the restricting countries to the minimum and of turning to other suppliers. Without American support and without cash resources the pool was experiencing difficulties in the spring of 1939, and one of four almost equally disagreeable alternatives faced the international committee. It could curtail exports to a 35 per cent quota by abolishing the 10 per cent allowed under the buffer scheme, but this meant alienating both the Chinese miners and the Federal government by aggravating the unemployment problem. The second possibility was to increase the quota to 4 per cent, thus causing a fall in the price of tin metal and dishonoring the pledge given when the pool was formed to maintain a certain price level. The third alternative was to enlarge the pool, but this would have brought about the end of a free market for years to come. And the final and most unlikely possibility was to ask banks for a loan wherewith to buy tin in the open market and thus add to the stocks already held. The outbreak of the European war resolved the whole problem and put an end to international restriction in all but name.

Tin control would seem to have been a comparatively simple problem since the ore was produced in relatively few countries and bulk consumption was likewise confined to only about six nations. But the cartel was unable to devise any mechanism that would protect tin producers from the rapid alteration of boom and slump—the reflection of economic conditions in the United States which bought about half the world's supply.

of tin metal. And the international committee tried everything. In the eight prewar years the restriction scheme was revised three times: its membership was altered, as well as its objectives. With the advent of the third scheme in 1937 there came a fatal change in policy—from regulating supply to fixing the price at a level far above the average price of production by efficient companies. The creation of a buffer pool, with this avowed purpose, brought about important changes in the industry's structure. On the mining side it led to increased production and smelting in the countries outside the scheme, and to an accelerated search for substitutes by consumers. On the marketing side it altered the channels through which supplies were obtained.

Restriction, or at least the high-price policy pursued by the cartel in the interests of one group of producers, worked to the ultimate though not to the immediate disadvantage of the British Empire in general and of Malaya in particular. The proportion of ore and metal produced by that country declined markedly in relation to total world production of both. The strong demand for metals that persisted for several months early in 1937 dissipated such caution as the international committee had retained, and it yielded to the temptation of raising prices without regard for the subsequent fall in demand. Severe cuts in quotas ensued, and the imposition of even more drastic reductions was averted only by withholding from the market nearly a fourth of the permissible exports, after July 1938, as a reserve for evening out price fluctuations. But even this attenuated policy brought unemployment to nearly 40,000 laborers in Malaya and produced what was virtually a consumers' strike. The committee's temerity in raising the quota, albeit slightly, early in 1939 was nothing more than a gamble on American recovery within the year. The war made this gamble a success: consumers paid the price demanded and asked indefinitely for more. But as a normal peacetime policy the record of the international tin

committee hardly recommended itself as conducive to the welfare of Malaya's industry. In purely local terms only the London-registered companies of Malaya favored restriction. But the opposition of the other producing units did not unite them in a common front against the international committee. Chinese interests were too fundamentally divergent from those of both the London-registered and the all-Malayan companies: the smelters' control of the local market alienated both the British and the Chinese producers. The forces of division were accentuated by the new factors of disunity brought to Malaya's tin industry by wartime conditions.

In the first three weeks of September 1939 the exportable quota for tin was raised three times successively from 45 per cent to 100 per cent. The maximum stocks of ore which were permitted to remain at Malaya's mines amounted at the time to almost 22,000 tons, and 9,000 of them were exported during the first three months of the war. As a result of the quota increases tin producers had to adapt themselves quickly; dredging units that had been idle for months started up, and thousands of the laborers on relief were reemployed. Those companies which had spent money on improving their equipment reaped quick rewards, yet many miners were still cautious about incurring the heavy overhead charges which would result from opening up their mines, fearing that the increased quotas would not last for more than six months longer, and that it would take all that time for increased production to get under way.

The quota was again raised for the first quarter of 1940 to 120 per cent, apparently less to make additional supplies of the metal available to unsatisfied American consumers than to aid in the retention of price control. Tin exports from Malaya in 1939 came to 82,089 tons as compared with 61,187 tons in 1938, and this remarkable increase gave satisfaction to the pro-restrictionists who claimed that it was solely due to the existence of control machinery that production could be



raised to unprecedented levels in so extraordinarily short a time. Yet the bald fact remained that Malaya, which had over-exported its quota by 675 tons in 1938, had the following year underexported it by 3,948 tons.

In the first seven months of 1940 Malaya was allowed to average a monthly output of over 7,000 tons; but actual production was considerably lower, and by the end of the year the country's underexports amounted to 7,005 tons. Only the existence of minehead stocks and the allocation of additional quotas to those producers who were able to satisfy the assessment committee that they could produce more than their permissible portion prevented Malaya's deficit from being larger than it was. This was an important factor which seemed to disprove Malaya's long-standing contention that she was underassessed, and that she should be allowed a standard tonnage of 103,919 tons. Instead of being taken as such, however, this situation provided critics of the government's land prospecting policy with a golden opportunity for a renewal of their complaint that the administration was deliberately refusing to provide new mining land. In 1940 neither the Mines Department nor such private prospecting as was allowed could report the discovery of any outstanding new deposits.

This common grievance of Malaya's tin miners only temporarily united them, and a new force of disruption came with the imposition of wartime taxation. The rubber and tin industries were the first and, for more than a year, the only ones subject to direct taxation in Malaya. Statistics marshalled by the Dredging Association, in March, 1940, revealed that the tin-ore duty represented taxation at the rate of 22.5 per cent of the net profits of thirty-three dredging companies, based on their published figures from 1935 to 1937, and that the additional war duty brought the total to 27 per cent. If the proposed 12 per cent income tax on company profits were imposed it would mean a further increase to 40 per cent. In the case of companies registered in England, taxation would total

50 per cent on profits, even allowing for double taxation relief. The government was warned that the extent to which the mining industry was taxed would discourage future capital investment.

The imposition of 100 per cent excess profits taxation provoked a fresh outburst from the British-registered companies in Malaya. In October, 1940, the Tin Producers Association made representations to the Chancellor of the Exchequer that certain sections of the mining industry were unfairly discriminated against. The great bulk of empire tin was produced from alluvial mines with very limited lives, the majority being operable only six to eleven years—a much shorter span than that of most other mining properties. The Chancellor, however, repeatedly refused to allow the argument that such taxation represented the confiscation of a very limited and irreplaceable type of property. Announcement of the Anglo-American agreement to supply emergency American needs, which meant maximum production from the Malayan tin industry, produced another batch of protests against this “formidable levy on capital.” The Malayan Chamber of Mines warned the Treasury that the tax would be a direct deterrent to production by Malayan companies registered in England. The International Committee joined in the chorus, concentrating on the injustice of basing excess profits taxation on profits made during those many years when mines had been compelled to operate far below their capacity. Taxation on the scale proposed, they said, would prevent the tin companies from building up reserves to meet the lean period that would undoubtedly follow completion or liquidation of America’s emergency stocks. Finally, in April, 1941, the British government yielded partially to the wasting-asset argument. The concession then made provided for raising standard profits by amounts varying from 5 to 35 per cent, according to the date that properties would have been worked out had there been no war. For those companies whose mines would

have been exhausted between 1951 and 1960, the relief afforded was to be 20 per cent; and it was in this class that most of the affected Malayan companies fell. Naturally this concession did not represent all that these companies wanted, but they hoped to benefit from the general scheme whereby a fifth of the amount paid in excess profits taxation was to be returned to the taxpaying countries for postwar reconstruction.

No sooner had the disruption caused by this tax differentiation between all-Malayan and London-registered companies been smoothed over, than a new rift appeared in the local industry. Part of the growing antagonism between the smelters and the producers, engendered by war conditions of financing the industry (*cf.* Trade), was due to the compulsory war-risk insurance measures adopted by the Malayan government. While this insurance had been adopted at the insistence of the rubber industry, it was generally thought in practice to work chiefly to the advantage of the tin interests. But that was true only from the smelters' viewpoint and the producers, who were already injured because they had not been consulted by the government prior to its imposition, complained that the rate of twenty cents per picul of net tin ore not only was too high but was of no advantage to them. Insurance began only when the ore left the producers' hands—that is, from the time it was railed throughout the period it remained with the smelters, and no cover was provided while it was on the mine or in transit to the point of railing. The producers received no satisfaction in this respect, and their irritation over the insurance situation merged into the more basic struggle between them, the smelter monopoly, and the government.

During the war the same old factors of the American demand and of price fixing were more to the fore than ever before, complicated now by the Malayan government's control measures. On September 18, 1939, the Straits and British

governments fixed the maximum price at which tin transactions might be made in both countries. The price set was £230 a ton, which was also the upper limit of the buffer pool scheme. Since this measure was brought in under the Defense Regulations as part of high imperial policy, obviously designed to strengthen Anglo-American relations, miners did not at first grumble over what they thought was a temporary sacrifice until prices should be stabilized and quotas adjusted to meet the sudden jump in demand. Meanwhile the price rocketed in the New York market to nearly £400 a ton, widening the disparity with London and Straits prices; and it soon became apparent that only the middlemen were benefiting by the price-fixing scheme. The American consumers were squeezed and supplies were insufficient to meet their demands based on panic-buying and the shortness of their stocks. Producers had to be content with a fixed price while those who were neither producers nor consumers were realizing handsome profits. Thus the old alliance between American consumers and Malayan producers was re-formed; but their joint opposition this time was directed against the British government and not the international committee. After weeks of pressure exercised by the anti-restrictionists and tin dealers, the Colonial Office in December, 1939, abolished the maximum price and a capacity quota of 120 per cent was announced. For a time tin became substantially a free metal, although the machinery of control was retained, and the number and influence of the anti-restrictionists grew.

Although the industry's immediate prospects looked very bright early in 1940, the uncertain factor was the continuance of American demand. After a period of rapid expansion it was anticipated that that demand would settle down to an average quota of 75 per cent. In brief, the tin famine was regarded by producers as psychological rather than actual. Although a slump did shortly occur, the tin industry was once again, in July, 1940, catapulted into capacity production by

a new agreement between the American Reconstruction Finance Corporation and the International Tin Committee. While the acquisition of a tin reserve of 75,000 tons by the United States ensured prosperity to Malaya's producers for some time to come, it also perpetuated the restriction machinery and foreshadowed an eventual liquidation that might, despite official controls, presage long lean years for the industry. This accounted for the steady decline in the price of London spot tin and of the share market throughout most of 1940. Production costs were simultaneously rising, and the probability of heavier war taxation likewise proved to be anti-boom factors.

Freight and insurance charges more than doubled, and production costs in Malaya had risen to between £20 and £30 a ton during the first year of war. Not only had the number of laborers employed in the Federated States' mines grown from 52,784 in January, 1939, to 72,954 by the end of that year, but their wages had increased and their working conditions been improved—partly to disprove the criticism made by the Secretary for Chinese Affairs that mine owners were among the least progressive employers of labor in Malaya. While this policy had spared the tin industry many of the strikes then afflicting other Malayan producers, it had cut considerably into company profits. Costs, it was generally anticipated, would continue to rise; but they would probably be more than offset if output likewise continued to expand.

In mid-December, 1940, when the International Tin Committee met to consider renewal of the restriction agreement, inevitably the old question of the value of tin control was revived. What no one could have foreseen in 1937, when the last scheme had gone into effect, was that upon its expiration the Netherlands Indies, the third most important signatory, would be virtually under British protection; and that fact now enormously simplified the committee's task. Malaya's major complaint was the old grievance of underassessment. Although

her standard tonnage had been raised by about 6,000 tons in 1938 to a total of 77,385, this concession had lost some of its value when other restricting countries were likewise granted increases.

Theoretically, if Malaya's claim to a bigger standard tonnage was justified she should have had little difficulty in exporting her full allowance instead of ending the year with a substantial deficit. Local producers, of course, explained this away on the ground of extenuating circumstances. Malaya's underexport was variously attributed to the government's niggardly prospecting policy; to the wide disparity between the assessment and the productive capacity of individual mines; to the time required to recondition certain plants and to get the stores and equipment from abroad; to the droughts of late 1940, which had materially harmed an industry so dependent upon water; to the difficulty of altering the course planned for dredges through low-grade ground to richer regions; to the calling up of European staffs for volunteer training; to the delays inevitable in an unconcentrated industry composed of innumerable small mines. Finally, in the case of the sterling companies liable to excess profits taxation, maximum production was not insisted upon—the promptings of patriotism to the contrary. These handicaps were regarded as only temporary since, by the end of 1940, nearly all of Malaya's hundred or more dredges were operating and tin producers had stepped up their output to a record export total of 85,384 tons, valued at over £21,000,000. While this compared favorably with the 44,447 tons exported by Netherlands India that same year, embarrassingly enough the latter was the only restricting country to fill its quota and even to overexport it.

In March, 1941, the international committee recommended continuation of the control scheme for another five-year period. The agreement to continue was unanimous, and both Malaya and the Indies received increased standard tonnages at Bolivia's expense. Anti-restrictionists were amazed both by

the unanimity achieved and by the scope of the proposal—a 130 per cent quota for the rest of 1941. But it was soon clear that Bolivia's and Holland's resistance had been broken down by the prospect of indefinite American consumption and their participation in the Texas smelter project. No one cared to think what would happen when America's emergency buying ceased, for the world which normally consumed about 150,000 tons annually was producing about 250,000 tons, of which approximately 25,000 were coming from uncontrolled sources. Prosperity was real enough in terms of immediate profits but was fundamentally artificial because it was not based on actual consumption and was still subject to wide fluctuation because of its dependence on industry in general. Majority opinion generally favored the retention of the restriction machinery, which, however unsatisfactory, was better than the delay that would ensue in trying to evolve any substitute. Once again the American jitters demand for tin "as a metal more welcome than gold" had put off the evil day of reckoning for Malaya's tin industry.

In July, 1941, after a series of hesitant moves, the local authorities banned publication of any information regarding the production or export of minerals from Malaya, upon instructions from the Colonial Office. In regard to tin there were two possible explanations, but none apparent for coal, which was consumed entirely within the country, or gold, of which the output was insignificant. The information heretofore lavishly published regarding the location and size of Malaya's tin mines might conceivably be of use to the enemy, but that was already known. Two other, more Machiavellian, explanations seemed sounder. By the end of August, 1941, Malaya's export deficit amounted to 18,554 tons, and no one could say how far this was the result of sheer inability to produce more or due to the continued refusal of some of the sterling companies to produce all-out because of the taxation of their profits. Many thought that the desire to ward off criticism of this

attitude, especially from American consumers who were using much of Malaya's tin to turn out materials for Britain, lay behind the current concealment of statistical information. The second explanation was tin politics: disclosure of such data might influence the international committee in a direction unfavorable to Malaya regarding the long-mooted question as to whether or not Malaya was properly assessed for standard tonnage. Neither interpretation was highly creditable to Malaya's tin industry.



## VI

### *RUBBER GROWING*

THE HISTORY OF MALAYA'S rubber paralleled that of tin, in regard to excess production, overcapitalization, its major market, fluctuating prices, and adherence to international control schemes after voluntary restriction had failed. But it diverged in the expansion of production, the labor forces employed, the efficiency of management, and above all the development of substitutes.

Rubber growing developed in the peninsula much later than the tin industry and, after a hesitant start, flourished suddenly, thanks to European capital and enterprise. For many years planters were reluctant to uproot their coffee and tea bushes and to venture capital in the planting of rubber trees, which required about five years to come into production. The blight and fall in prices which affected coffee, about the turn of the century, indirectly aided rubber cultivation in Malaya, and a decade later those who had found the courage to plant rubber had nothing to regret but their want of more enterprise and capital. The rapid expansion of the acreage under rubber, which reached a peak in the wild scramble for land about 1910, was interlocked with the development of the auto industry, especially in the United States, and was only slightly retarded by the imposition of a 2.5 per cent ad valorem export duty by the Federal government. During the next few years innumerable rubber companies, often of a speculative nature, were floated in London and Malaya; and although they included many transparently dishonest ventures the ensuing disillusionment did no more than transient harm to

an industry in whose future Malaya thenceforth displayed a justified faith. Rubber, together with tin, has been responsible for Malaya's reputation as the richest country in the world, considering its wealth on a per capita basis. The rubber slumps of 1920-22 and of 1930-32 were more than offset by the prosperity of the boom periods of 1925-26 and 1939-41.

Just before the First World War cultivated rubber finally established its ascendancy over wild rubber, largely because of greater regularity of supply and cheapness. Land in Malaya was obtainable on easy terms, and this led to the opening up of the jungle-infested interior. Expansion followed swiftly and easily until the postwar slump of the early 1920's. By then Malaya was exporting 196,000 tons—more than half the world's total production. While Europeans had been the first to start rubber plantations in Malaya, the Chinese quickly followed, and even the Malays began to prefer small-scale rubber cultivation to paddy planting because it was a cash crop and exacted less arduous labor. On the eve of the Second World War 74 per cent of the estates were owned by European companies, 17 per cent by Chinese, 5 per cent by Indians, and 4 per cent by other Asiatics. The majority of the European estates were owned by British companies registered in London, but a minority were financed by British residents in Malaya. The reverse was true for the bulk of the Chinese estates, which were owned by Chinese domiciled in the country, only a minority being incorporated in China. In the absence of accurate data, non-British investments in Malaya's rubber have been roughly calculated at about \$275,000,000 (gold); and British, at £300,000,000. In terms of total foreign investments in Malaya the capital placed in rubber represented about 52 per cent. The most notable recent development was the growth of the Asiatic share in Malaya's rubber from about 35 per cent in 1934 to over 54 per cent on the eve of the Second World War.

Rubber production perforce followed the empiric method,

since Malaya's first planters had no experience when they faced the problem of acclimatizing a tree which grew wild in the Amazon valley. The time and effort required made the Europeans who had evolved their own methods less willing to listen to the advice of experts, and also rendered Asiatic growers even more indifferent to improving their rubber trees. The Malay, Indian, and to a lesser extent the Chinese rubber small holders continued to plant as many trees as their property could hold, to ignore root disease, to do little or no manuring and pay no attention to the later developments of selected seedlings and bud-grafting and high-yielding clones as mysterious and expensive futilities. In only one method were native planters emulated by their estate colleagues—in planting coverage between their rubber trees after it was found that the long-cherished practice of clean-weeding caused soil erosion and declining yields. The native method, of course, was not the outcome of scientific lore but derived simply from the Asiatic addiction to multiple agriculture, based on the need to have food crops on which to fall back whenever a world depression made rubber tapping unprofitable.

Thus production varied enormously according to whether rubber was grown by European companies on estates with large labor forces, or by Asiatic small holders. Just before the war of 1939 estate-produced rubber represented over 61 per cent of the total, with Europeans in control of three-fourths of it. Asiatic rubber, grown on units of less than a hundred acres, covered about a third of the total of 3,500,000 acres under rubber cultivation in Malaya. While the Asiatic share in Malaya's industry was steadily increasing, it was not equal in quality to estate-produced rubber and was not the source of such unlimited production as in the Netherlands Indies.

The postwar depression of the early 1920's brought to Malaya's planters their first realization of the need for more scientific research and a more economic management of

estates. The aid rendered up to then by the Department of Agriculture had been too limited to influence planting methods greatly. And the Rubber Research Institute materialized in 1927 only after ten years of disagreement as to financing and the degree of government control. Malay planters long had needed such expert advice in order to catch up with their more progressive competitors in the Netherlands Indies. But even after the institute had proved its value, there was a marked indifference to it. In 1938 it reported that fewer than half of the estate-owners in Malaya had applied to it for information.

The gradual deterioration in the great majority of estates during the early 1930's produced some changes in planting practices, but even the depression failed to effect the needed revolution in estate management. For too many years Malaya had held her own as a cheaper producer, because her yields per acre were higher than those of other countries; but that advantage was fast disappearing. Her trees, then about fifteen years old, were beginning to deteriorate at just the time when the rubber in other countries, more recently planted and more scientifically cultivated, was coming into tapping. Of the two million acres of European-owned rubber in Malaya, about seven hundred and fifty thousand were close to the age limit. The possibility of replanting and of new planting was complicated by the international control exercised over such privileges, and by its dubious profitability on a large scale, owing to the unknown importance of native production in the Netherlands Indies and to the whole future of natural rubber.

The existence in Malaya of two conflicting schools of thought, in the late 1930's, as to whether a rubber famine or overproduction was the more imminent possibility, retarded replanting programs. The latter school preferred to let the problem of overproduction be resolved automatically by the declining yields from existing trees. The predominance of this trend of operation was suggested by the small number of

demands made for replanting privileges—only a little over a fourth of the permitted acreage was replanted during the restriction period ending in 1937. The next scheme gave Malaya much more liberal provision for replanting—up to a total of 5 per cent of the existing planted area; but the simultaneous business recession in the United States added a new restraining influence, despite the official support given to replanting. But reasons supplementary to the general pessimism regarding natural rubber's future were responsible for the meager advantage taken of these replanting privileges. Aside from the initiative and capital required for the purchase of high-yielding clones, Asiatic small holdings were generally so scattered and so shaded by surrounding fruit trees that replanting was not worth while; and the resources of their owners were too slender to tide them over the long period before the replanted trees would become productive.

European companies also, because of uneconomic management, lacked the capital required to undertake replanting on a large scale; British-registered companies had a London directorate, a visiting agent, an estate manager and staff, and a labor force to be maintained—all fixed expenditures. Moreover, all rubber companies felt compelled to keep up the payment of dividends on 100 per cent of capital while working, during the restriction period, perhaps only from 50 to 60 per cent of their holdings. These expenses forced planters, especially during a depression, to tap rubber harder than ever—to the detriment of their trees and of the sale price for the product. Native growers, on the other hand, had no such fixed charges and could simply cease tapping when it became unprofitable, thereby giving their trees a salutary rest. Amalgamation was as badly needed for the many small estates, which insisted on retaining their expensive individual set-ups, as it was for Asiatic holdings. While company shareholders were generally enthusiastic about economies, any drastic rationalization of the management and financing of their estates was opposed effec-

tively by the guinea-pig directors, by the agency houses, and by the planters themselves, since it meant fewer fees and commissions and a cutting down of European staffs.

The depression did, however, effect certain changes. More and more companies followed the lead given by Dunlop Plantations, and transferred their headquarters to Malaya for the sake of a more efficient management. This eliminated the agency machinery and its policies, which were dictated more in the collective interest of its multiple activities than in that of the individual estate it supervised. Directors on the spot, who personally knew their estate managers, were able to make vital decisions swiftly, and to keep abreast of the latest developments in the rubber industry. The prosperous financial record of local companies was an encouraging stimulus to this trend, as was also the lightness of Malaya's taxation. Yet on the eve of the Second World War only 88,130 acres were controlled by Malaya-registered companies; only a few European and still fewer Chinese companies had embarked on extensive replanting programs; and virtually none of them had eliminated the contractor system of hiring labor in favor of direct employment—another of the parasitic growths which were contributing to the high cost of Malaya's rubber production. Planters, of course, blamed the inelasticity of the government's labor code for the unnecessary costliness of Malaya's labor force, especially as compared with that of the Netherlands Indies. Yet, to the credit of Malayan planters, they were opposed to the depression-inspired suggestion from London that the wage scale be radically reduced, realizing how much the country's prosperity depended upon the buying power of all classes, and how the price of rice—the main item on the coolie budget—was regulated by the world market. Aside from humanitarian considerations, Malaya was dependent on immigrant labor, and conditions had to be attractive to maintain the inflow of this.

Malaya's major formula for the solution of depression prob-

lems of declining consumption and prices was the restriction of rubber production, first on an empire and later on an international scale. And it followed somewhat the same pattern as tin. The Stevenson Plan, evolved in London in 1922, originally aimed to stabilize prices at a moderately profitable level; but gradually it raised them to a point at which they could not be sustained because they had led to a greater use of reclaimed rubber in the United States and had vastly stimulated the Indies' output. While the Stevenson Plan did save many of Malaya's estates from bankruptcy, it was abandoned after six years because of its greedy price policy, and because of the unexpected consequences of its failure to secure Dutch cooperation. The failure of this plan strengthened the local opposition to any restriction scheme and delayed Malaya's entry into a new agreement, this time on an international scale, until 1934. By that year prices had fallen so far below current production costs and world output, and stocks were so rapidly outstripping consumption, that it became obvious even to the die-hards in Malaya and the Netherlands Indies that international restriction was indispensable, and that the government must be admitted as a partner into the rubber industry.

The four-year restriction agreement signed in 1934 by Malaya, Netherlands India, France, and Siam assigned a basic quota to each country and provided for annual increases in such a way as to take care of the growing area coming into tapping. New planting was prohibited, as was the export of rubber seeds; and replanting was limited to a fifth of the estate's acreage. While Malaya profited by the experience gained under the Stevenson Plan, to the extent of taking more effective measures against smuggling and of levying a tax on rubber to finance research and pay for control administration, she failed to assess the capacity of individual estates equitably and to prevent the sale of export coupons and later of replanting rights—both of which developed into a racket. While

restriction proved sufficiently profitable to the industry as a whole to be retained throughout the decade, it did not raise rubber prices to such a point that small holders—ever the barometer of market conditions—cared consistently to tap their trees. More often than not they sold their rights to the big estates, which came to dominate this industry in the same way as the dredging companies had come to control tin mining, though the resultant unemployment was not so serious because the estates employed much larger labor forces than did the small holders.

The effect of a fall in rubber prices was felt by large and small producers very differently. In large companies it was the shareholders (usually nonresidents) of the producing companies who enjoyed—though not at once—the benefits from rising prices, and vice versa. The small producer felt the full effects of any change in world prices immediately. He had no balancing element like a company's reserves and usually spent outright the money he received from his produce. Rubber was his one cash crop, and when its price fell below costs he turned to food production and carried on with money transactions reduced to the minimum. So his prosperity was quickly reflected in the import business and in government revenues; in a bad rubber year the government had great difficulty in collecting taxes. This factor, in conjunction with the larger labor force employed, stimulated the government to an effort to improve small-holder rubber output. Thus small-holder rubber production increased rapidly, and this offset the hold the big estates had over the industry through the purchase of export rights. Primarily it was the indefinite capacity for expansion inherent in rubber production, as contrasted with tin, that predestined rubber to become more and more of an Asiatic crop, and also rendered international restriction both less effective and less addicted to a high-price policy.

Not even its strongest advocates could claim that restriction schemes had made rubber growing very profitable. Only



during the first two months that restriction was enforced, June-July, 1934, was the quantity of rubber released equal to the basic quota. During the middle 1930's the net earnings of estates capitalized at £45 an acre averaged slightly under 4 per cent annually. Nor had restriction prevented sudden and wide price fluctuations. But it was realized that international developments, largely beyond the committee's control, were in part responsible, and that price variations had been kept within narrower limits than either under the Stevenson Plan or in the full-steam-ahead period of the early 1930's. The price factor was immediately effective in controlling native rubber production, though the latter always remained a latent menace. At the first signs of a price increase the sale of export rights ceased, and a sudden jump in Asiatic output at once neutralized the benefits. But the greatest element in the situation, for rubber as well as for tin, was both industries' dependence on the United States. The international committee never mastered that problem, though it made restriction serve as a shock absorber. But the very essence of a restriction policy—the maintenance of high prices—was defeated at both ends in the case of rubber. Native production was stimulated, and consumers were alienated to the point of buying only the indispensable minimum from restricting countries and of finding alternative sources of supply and synthetics.

The perennial grievance of Malaya's producers was that they were sacrificed to the interest of consumers in the United States and the United Kingdom, and increasingly for political considerations. It was all very well to help along Anglo-American relations, but not to the point of removal of the ban on exporting seeds and budwood so that planting in unrestricted countries like Africa and South America should be increased. The United States had long opposed restriction on the totally opposite ground that the international committee's idea of protecting the producer was to impose famine prices on the consumer. The world situation was making the United

States increasingly nervous about its dependence on Far Eastern rubber, and three possible solutions offered themselves. The first was to ensure short-term security through the accumulation of an emergency rubber reserve amounting to several hundred thousand tons. The second, more costly but more permanent, was to revive the moribund Brazilian rubber industry. The third solution, a large-scale development of synthetics, was the most expensive but the most secure of all. The short-term policy promised natural rubber producers at least temporarily increased profits, while the other two threatened Malaya with eventual ruin. The country's planters and shareholders alike breathed a sigh of relief when the United States Senate's Military Affairs Committee gave unanimous approval to a bill calling for the expenditure of U. S. \$100,000,000 for the purchase of essential raw materials during the coming four years.

But this satisfaction turned to alarm when the gigantic Anglo-American barter deal was suddenly announced, on June 24, 1939. It was feared that normal trade operations might be ruinously disorganized. The fact that the negotiations had been conducted without previous consultation with the producing interests alienated growers not only in Malaya but in Thailand and the Netherlands Indies. Repeatedly the hope was expressed in Malaya that never again would it be necessary for rubber to be used as a bargaining counter in international politics, since such benefit as the country would derive therefrom was only temporary and incidental. This deal might even be the forerunner of other barter agreements; it probably spelled the end of international control, and possibly foreshadowed a consumers' pool. Others took a larger view of the situation and saw that the future of the empire and even of democracy was at stake. In any case the prospect of locking up 85,000 tons of rubber for seven years in a country that normally consumed between six and seven times that amount annually could hardly affect the rubber industry for more

than a few months. The safeguards adopted in the maintenance of price and market structures were also helpful in soothing the ruffled feelings of Malaya's rubber industry. In the end the deal was grudgingly accepted as a political necessity, in which Malaya might conceivably have fared worse. Those planters who had gambled on an imminent shortage of rubber and on high market prices, by undertaking large-scale planting programs, were in luck when the United States began to buy its reserve stocks, and even more so when the war raised export quotas to capacity, with every prospect of their continuance for the duration.

The warning issued by the Secretary for the Colonies when restriction was first introduced, that Malaya's planters must not regard it as a permanent arrangement but merely as "an umbrella beneath which they might take shelter, a breathing space in which to organize the industry to meet the conditions of free production in after years," had been disregarded by the majority among them. On the eve of the Second World War Malaya's rubber industry still comprised far too many individual units of uneconomic size and continued to support at ruinous expense an absurdly large number of superfluous directors. Too few estates had replaced their obsolete trees with higher yielding stock; and many were in none too good a position to compete profitably with Asiatic small holders, whether inside or outside the country. The industry as a whole resented comparisons with the more advanced Dutch planters but had not acted on the conviction that, to survive, it must cut costs to the bone. Nor had it sufficiently realized that, to compete with synthetics, a crude rubber of ever improving quality and ever increasing potentialities must be produced against the day when the palliative of restriction would be removed.

Producers in Malaya wanted higher prices for their rubber, but they resented the cuts in quotas imposed by a distant committee which they believed to be the puppet of home manu-

facturers, and which jeopardized the stability of their labor forces. They were irritated at being sacrificed, even for high political considerations, to equally resentful consumers who threatened their lifeline by trying to create rival sources of supply under their own control, and who bought only the indispensable minimum of stocks. Reluctantly the rubber industry of Malaya had asked for official intervention, after its own homemade remedies had failed, only to find that the local government on which it had called in its hour of need was powerless to prevent its produce from becoming a pawn in the international game. The Second World War was to bring material compensations in the form of phenomenal profits to Malaya's rubber industry, but it also drew the noose of control tighter and increased the threat of eventual ruin. From being impotent in the world market the producers were to become helpless in world politics, and had to step up their production to supply the military machinery for a war that was also stimulating the production of competitive substitutes.

The pessimism regarding natural rubber's long-term prospects, which antedated the war, prevailed for many months after its outbreak, despite the obviously bright immediate future of this industry. Part of this cautious attitude was due to a fear that rubber would become unsalable in the local market because of restricted shipping, the cessation of automobile production, and the prohibitions against trading with enemy countries. Mid-August, 1939, had witnessed a rush to buy war commodities both in Europe and in America, but the belief of the majority of consumers that hostilities would be averted at the last minute caused many of them to be caught short. Prices rose sharply and, coupled with the increase in export quotas, promised handsome profits. Yet for many months rubber shares remained at only slightly higher than prewar levels. Because rubber was produced in the East so much faster than it was used in the West, the trade felt that the fun could not last long, and that by the spring of 1940

prices would again go down. Rubber dealers attributed the startling rise in spot prices to the entry into the market of speculators, now deprived of their peacetime fields of operation through governmental control of commodities; to panic-buying by consumers who were stocking against maritime interruptions; to the steady buying of the British government in fulfillment of its barter deals; and to the sensational albeit unpublicized decline in world stocks—all of which were regarded as temporary phenomena and bound soon to disappear. Part of this caution was due to the heavy losses incurred in the past through overoptimism. Bank managers in Malaya were still reluctant to accept even good rubber shares as security, and this did not add to their popularity. Pessimism prevailed also because of the anticipated difficulties of transportation, the shortage of essential materials, labor troubles, the closure of European markets, the growth of wartime taxation, and the war development of synthetics. Doubts were widely expressed as to whether Malaya could fill the larger quotas assigned to her.

In time some of these difficulties worked themselves out while others increased. Prewar stocks of the formic acid used in the manufacture of rubber coagulants were large, and were eventually supplemented by supplies from America and by substitutes. New methods were evolved to solve the packing aspect of the shipping problem. Bareback rubber, a depression expedient developed in 1922 when the price of rubber could not stand the high cost of packing materials, had developed on Singapore's waterfront into the world's fastest and most economical method of shipping rubber. But whether or not it was due to the imperfect experimental stage reached under the stress of wartime needs, something went wrong with an important proportion of the rubber so shipped. Towards the end of 1940 word was privately received in London that the New York authorities were rejecting what appeared to Malaya to be an unduly high proportion of the

Anglo-American barter rubber delivered in the United States. In all rubber transactions a small amount was occasionally turned down by buyers as below standard quality, but such large-scale rejections showed either overexacting American criteria or unusually defective Malayan rubber. As a result, substantial quantities of this rejected rubber were put on the open market in the United States, where there was keen bidding from manufacturers who were in this way able to take correspondingly smaller imports on their own account. Thus the Rubber Reserve Corporation's activities were indirectly providing a revolving stock of rubber for the trade, which was certainly not one of the objects for which it had been formed.

The actual transport of rubber was naturally the most important phase of the shipping problem. Memories of the First World War, when the wharves of Singapore were glutted with cheap rubber while American consumers were bidding fantastic prices for nonexistent supplies, were responsible for the fears of freight shortage and high insurance costs so evident in September, 1939. The shipping conferences at once jacked up freight rates by 50 per cent. The protests of the shippers would probably have been ineffectual had it not been for the immediate imposition of export control by both the London and the Malayan government. Although the war progressively brought a restriction of shipping, the control machinery insured a certain amount of space for such vital commodities as tin and rubber. Nevertheless barter deliveries did not begin to reach the United States in large quantities until about the middle of 1940. Even then disappointment over their slow arrival was expressed to Sir John Hay, whom the international restriction committee sent thither the following June, to negotiate for the purchase of further American supplies.

Throughout 1940 rubber shipments to the United States became increasingly difficult. By mid-February, 1941, it was

calculated that the lack of cargo accommodation had already cost the Malayan rubber industry over a million dollars (U.S.) and that at least 150,000 tons of rubber already under contract awaited shipment. Malayan railroads had to be satisfied that producers had been allotted freight space before they would transport rubber, and the result was a rise in estate stocks. Rubber was not the only item to suffer shipping difficulties, but it was the chief one. The industry blamed the shipping conferences' dog-in-the-manger attitude, the diversion of steamers to supply the British Army of the Nile, and finally the general reluctance of all British rubber interests to see American shipping control the Pacific route and the transport of Malaya's major commodities. It was interesting to note that, although obviously the importance of maintaining the volume of rubber shipments transcended that of private profits, the Shipping Controller could not act until a formal complaint had been lodged by the shippers; and this was not done until early in 1941. The situation was partly relieved by the temporary permission given them then to ship rubber on non-conference tonnage. But not until a rubber control department was set up in the United Kingdom, in the summer of 1941, did the British government assume sole responsibility for making shipping space available at Malayan ports, and thus see that no freighter left the country without a full load. By this move it was hoped to counter the growing apathy of Malaya's rubber producers that had been induced by the belief that, since no shipping space was available, it was not worth while to tender shipments.

The demands of consumers in the United States and in the United Kingdom rose steadily as the war progressed. The original Anglo-American deal for 85,000 tons was increased, before the end of 1940, to approximately 400,000 tons. Private American consumers also bought heavily: the automobile industry was expanding, and increasing employment in the United States meant a general growth of purchasing power.

In August, 1940, the Rubber Reserve Company, which had been officially set up to establish such reserves, announced that it would purchase 180,000 tons during 1941 at a price ranging from 17 to 19.5 cents (U.S.). While the rubber industry was pleased by the prospect of assured sales for all the rubber Malaya could produce, it was still unconvinced that the American demand would be long-lived. Nor could it ever forget that despite official safeguards, the huge reserve stocks in the United States would give it the whip hand after the war. While the international restriction machinery might be maintained, the United States now, more than ever before, held the key to the market price, and the threat of liquidation could be easily used as a bargaining point to wrest almost any concessions from the rubber producers.

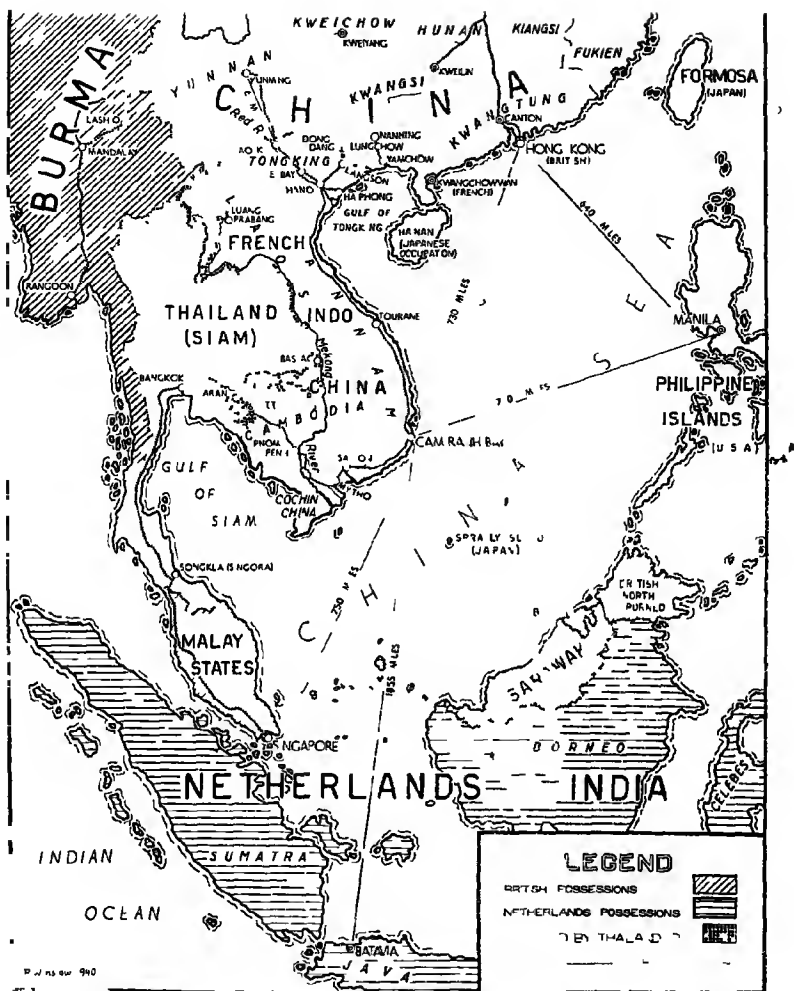
Britain's demands for rubber were also simultaneously rising, not only to fulfill the government's barter agreements with the United States and the U.S.S.R. but also to supply home needs. In the first months of 1940 British stocks, which had been considerable when the war broke out, dwindled noticeably; and they sank to a dangerous level after the great loss of rubber materials in France after Dunquerque. The government determined to strengthen its reserves by buying an undisclosed amount of rubber, but shipping difficulties hindered its accomplishment. Throughout 1940 freight allocations to the United Kingdom from Malaya ranged anywhere between 10,000 and 22,000 tons a month; but in December of that year the Ministry of Supply had to cease buying rubber for three months because of the impossibility of obtaining cargo space. To relieve this situation the British government allotted a priority of 11,250 tons monthly in the spring of 1941 for rubber shipments from Malaya to the United Kingdom.

To meet these increasing demands, the rubber quota underwent progressive increases. The quota assigned for the last quarter of 1939 was 75 per cent; for the first half of 1940 it



was fixed at 80 per cent; for the third quarter it rose to 85 per cent; and a further 5 per cent increase was slated for the rest of the year. With the entry of Italy into the war the price of rubber rose in London to 12  $\frac{3}{8}$  d. per pound, and thereafter prices maintained a steady advance. In late July the Netherlands Indies imposed a 5 per cent duty on exports which curtailed its previous practice of underselling Malaya's rubber. In spite of all these encouraging signs, the prevalent uncertainty regarding rubber's eventual future dominated the industry until the late fall of 1940, when, for the first time since the war began, rubber shares began to attract favorable attention. Responsible for this change of heart were the assurance that the existing 90 per cent quota would be maintained through the first half of 1941, the reelection of Roosevelt (which meant a stimulation of the American defense program), the unlikelihood that the country's emergency requirements would be fulfilled before the end of 1941, and finally the gradual but steady increase in United Kingdom consumption. All rubber companies were earning good profits, and in many cases dividends had trebled in spite of wartime taxation and the expenditure occasioned by replanting.

As a matter of fact the quota actually set for early 1941 was 100 per cent but the industry believed that this was only a token concession to American consumers, who attributed the slow deliveries of rubber to inadequate estate production. They openly doubted Malaya's ability to ship anything like the tonnage permitted. By the end of 1939 Malaya's output amounted to 361,484 tons. In 1940 she shipped 549,327 tons at almost double the value of the preceding year—\$449,780,904 as compared with \$261,051,647. This remarkable increase in output had been achieved in the face of numerous obstacles—an increase in production costs, the withdrawal of some of the European estate staffs for volunteer training, and, above all, labor strikes. There was no doubt that the need to find some solution for the labor situation before going further



EAST ASIA, 1940.



was one of the main reasons why the local planting community was generally against the policy of accelerated production. The wage increases, which had resulted both from strikes and from voluntary gestures on the part of employers, further increased Malaya's already large production costs, which were also considerably augmented by the higher prices required for materials, freight rates, and war-risk insurance. This had increased the vulnerability of Malaya's rubber to competition from synthetics and from that grown in unrestricted countries, both of which were also stimulated by war demands. Locally, the British companies were suffering from keener Asiatic competition, since the high war prices encouraged the latter to resume tapping. They and the locally registered companies were buying up the coupon rights of those British concerns which had been so affected by excess profits taxation that they were not producing all-out. The big increase in Asiatic production noted in 1941 began to alarm the big estates, whose labor forces were being enticed away by their small-holder competitors.

Of even greater concern to Malayan producers was the war incentive to improve the quality and lower the price of synthetic rubber. An exhibit held in Singapore, in January, 1940, only temporarily confirmed the contempt in which Malayan rubber growers had habitually held the synthetic product. While at that time synthetic rubber represented only 1 to 2 per cent of total American consumption, it was clear that its cost, which had already been driven down from about a dollar (U.S.) to 65 cents a pound, could be reduced still further. If sufficiently provoked by the slowness of Malaya's rubber deliveries the United States could, it was reported, substitute synthetic rubber within a little over a year. It was the immediate stimulus to a greater use of synthetics, as well as that by the anticipated postwar slump, that was responsible for the ever larger quota allotments made to the restricting countries. Such measures, however, did not conjure the threat,

for it was announced in 1941 that the United States government had authorized construction of four synthetic factories. Great strides were made throughout 1941 in the production of synthetics in the United States—notably in the use of natural gas as the basic raw material and in the possible large-scale development of the guayule shrub. Although the output of synthetics would for some time supply only a fraction of the United States' annual consumption of approximately 700,000 tons, yet it looked like the start of a radical change. Malaya's one hope lay in the long period she believed must elapse before the cost of synthetics could be brought down to a shilling. In the meantime Malaya was growing some trees whose yields ranged from 1,200 to 1,700 pounds an acre, and she hoped to evolve some way of producing natural rubber profitably at sixpence a pound—three halfpence lower than current average production cost.

Another cause of the producers' anxieties was the growth of rubber in unrestricted countries such as Liberia, Brazil, and Costa Rica. In the two last mentioned countries the climate and soil were ideal but labor costs were nearly four times as high as in the Far East. The Firestone Plantation in Liberia, however, was already an important producer of latex, and by the end of 1940 over 35,000 acres there were due to come into bearing. The effects of new planting in all unrestricted countries were being only temporarily checked by the current shortage of shipping.

Wartime taxation was another bugbear of the rubber in both the United Kingdom and in Malaya. Since the majority of Malaya's rubber companies were registered in London, the comparatively untaxed position of their Malayan colleagues somewhat hastened the transfer of company headquarters to the producing center. Even when income tax was finally imposed in Malaya it was so relatively mild that the trend towards Malayan registration was not affected. One of the

main reasons why Malaya was failing to fill her increasing quotas was the reluctance of London directorates to injure bark reserves by the overtapping required by all-out production when the resultant profits were being wiped out by British taxation. The rising chorus of protests, which the publication of fat company dividends for 1940 failed to influence, took the form of arguing that rubber, like tin, was a wasting asset; but this argument was not generally accepted for rubber, in view of the indefinite expansion of production made possible by new planting and replanting. Right up to the outbreak of war in the Pacific the sterling rubber companies were continuing their fight to secure some modification of the British taxation system.

There were several other reasons why Malaya felt unable to increase production in accordance with the rising quotas. Certain plantations were obviously overassessed, and their quota based on replanted areas which had not yet come into bearing. Other causes were the shortage of trained tappers and the very wet weather which prevailed in the last two months of 1940 and the first quarter of 1941—all in addition to the apathy regarding production which had been engendered by the lack of shipping space and by excess profits taxation. When Sir John Hay suggested that a new and more vigorous method of tapping be introduced, many companies were reluctant to adopt it because it meant squandering bark reserves to a degree that would hit them hard in the lean years to come. In August, 1941, the rubber quota was again raised to 125 per cent. For the first time in the history of regulated rubber the permissible exportable quantity was fixed at over 100 per cent, in spite of the fact that since its previous increase to 100 per cent no signatory country had exported to the full amount permitted. Even then Malaya was underexported by 17,877 tons. At the time it was anticipated that small-holder production might perhaps be increased by 10 per cent

but that the estates had reached the limit of the amount of rubber they could or would produce. The argument that the Axis might triumph through their insistence on business-as-usual and peacetime practices, and that then their policy of prudent selfishness would avail them little, fell on deaf ears.

## VII

### *THE ATTEMPT TO INDUSTRIALIZE*

THE DEPRESSION INCREASED the number of warnings administered to Malaya by successive governors against the dangers of putting all her industrial eggs into the two baskets of tin and rubber. Thereafter, occasionally, some enterprising businessmen tried to develop new industries; but their record was dispiriting. In general only the processing industries for local or imported agricultural products survived successfully, such as the manufacture of sago, tapioca, pineapples, and, of course, tin and rubber. The largest factory in Malaya—one that employed 4,000 laborers and manufactured impartially shoes, tires, belting, sweets, medicine, hats, biscuits, and bricks—went bankrupt during the depression. Innumerable small Chinese factories existed, however, chiefly in Singapore but also on the mainland; they produced a variety of foodstuffs, furniture, building materials, beer, aerated water, matches, and cigars (cheroots).

While Malaya could offer fine sites, a fair labor force, good communications, an abundant water supply, cheap electricity, light taxation, and a stable government, these were insufficient to overcome the handicaps of a small local market, Japanese competition, and a vacillating official policy towards local industries. Large industries had to sell to foreign markets, which in the interwar period were becoming increasingly nationalistic. Mounting tariffs excluded Malaya's rubber-shoe industry, for example, progressively from the Philippines, India, Indo-China, and Java. Even empire countries were deaf to the plea for intercolonial solidarity; only the home market



granted Malaya's pineapples and timber preference, and there Hong Kong outsold Singapore's exports, thanks to its cheaper and larger labor supply.

Malaya could not bring itself to foster such local industries as existed, or as might be created, either by subsidies or by protective tariffs. Tradition favored official aid, if confined to technical advice and organization, and this had been outstandingly successful for the pineapple industry. But the lack of a more positive policy permitted new enterprises of undoubted public benefit, such as local commercial aviation and radio, to languish anemically. The government's attitude towards the Nipah Distilleries was a case in point. This company, a syndicate formed by ex-servicemen, aimed to produce alcohol, motor fuel, and sugar from the nipa palm which grows especially well in Malaya. The Federal government nibbled at the idea of imposing protective duties to encourage this infant industry and then lacked the courage to make them heavy enough to prevent the dumping in Malaya of Javanese sugar refined at Hong Kong. Rather than risk having to subsidize indefinitely even a promising local industry, in the face of free-trader protests, the administration chose to let Nipah Distilleries close down in 1938 and thereby discourage analogous enterprises.

The war, by necessity, reawakened interest in the country's industrial possibilities. There were several engineering plants in the country capable of easy adaptation to war purposes, and hundreds of small Chinese manufacturers whose resources and part-time labor forces might be utilized. Many governmental and semigovernmental undertakings, like the Harbor Boards, Public Works, and Railroad departments, had large manufacturing plants which could provide the framework on which a big organization might be speedily built up. The more progressive elements in Singapore advocated that the manufacturers of Malaya, with official support, make a survey of the country's industrial potentialities and forward their

report to London for the final decision as to which direction a concentrated effort should best be made. Although there were the adverse factors of high freight and insurance charges, still the cheapness of Malaya's production as compared with similar undertakings in Britain would offset the costs involved. A suggestion, made under pressure of the events of June, 1940, that Malaya build an arms factory was turned down because it would have involved the importation of metals and tools from the United States.

These proposals seemed to have fallen on the usual barren official ground. The government did not say that such schemes were impractical: it simply said and did nothing, while Great Britain and its other colonies were frenziedly trying to increase production regardless of cost. The government was reminded that Malaya possessed valuable bauxite resources, accessible to the sea. Since the collapse of France had cut Britain off from such supplies, Malayan bauxite would be worth anything it might cost to produce and ship. Cement was another war material which was becoming scarce in Malaya which could be manufactured from the raw materials locally available. In normal times transport difficulties had caused the failure of all the many efforts to manufacture it locally and had made it cheaper to buy the imported article. Now the shortage threatened to put an end to Malaya's building industry, and what cement continued to be imported occupied valuable cargo space. In regard to both industrial possibilities, the question whether production could be profitably continued in peacetime might well be relegated to future consideration.

To all outward appearances nothing was being done. But when the government announced Malaya's acceptance of the invitation to participate in the Eastern Group Conference at Delhi, in October, 1940, it was simultaneously revealed that a committee of local manufacturers and representatives of the armed forces had been studying the possibility of locally

supplying some of the country's defense needs. The public and press were almost as exasperated by this announcement as they had been by the government's apparent inaction. There was no reason why the administration should not have taken the public earlier into its confidence and invited suggestions.

Apart from the appointment of this committee the government showed little energy in the matter until the Delhi Conference forced its hand. These "Plus and Minus Talks" aimed to devise measures for the coordination of war supplies in the empire countries east of Suez. Malaya's delegates were the Registrar of Statistics and a businessman whose experience was primarily with paints and cement—a quaint combination in view of the clamor for an expert on munitions or engineering. There was some consolation in the fact that at least local business firms were circularized to prepare data for this conference. It was clear, even before the conference began, that it could not stop short at recommending a comparatively easy exchange of raw materials and manufactured articles but would have to find some means of making the group, as a group, self-supporting. Undoubtedly the machinery created by this conference would outlast the emergency which had called it into being, and might materially help to solve the economic problems that would come with the peace.

The Delhi Conference reawakened local zeal for industrializing the country. Malaya, it was felt, should prepare for revolutionary trade changes by making a survey of potential new markets and additional sources of supply. Although the country possessed no real industries excepting tin smelting, she would have to develop them in view of the industrialization growing in the countries surrounding her. The stimulus offered by the war made the moment propitious for the fostering of new industries—with government help.

In its two major drives to relieve the burden placed on British factories and to lighten the load on British shipping, the Delhi Conference emphasized the production of the fin-

ished goods of war rather than trade. The obvious obstacles were the difficulty of building up industrial centers overnight, the traditional distaste of British manufacturers for developing rivals within the imperial frame, and the reluctance of colonial businessmen to expand output on a scale that would be unprofitable to them after the war. The urgency of the current crisis ruled out the two latter objections. To implement the first, a Department of Supply was belatedly set up in Malaya.

But, as so often happened in Malaya, it was a local association that beat the government to the draw. The Straits Settlements Association made an extensive investigation of local manufactures that might be developed from waste materials. Its criterion was not commercial profits but the degree to which Malaya's industrial potentialities would help the empire's war effort by conserving essential materials likely to become scarce either locally or throughout the empire, foreign exchange (by producing in the country materials that were normally purchased from outside the sterling bloc), and finally shipping space (by producing locally anything and everything that was imported from a distance).

As regards waste paper the association found the quantities available to be too small to justify the high cost of the plant required for the manufacture of a good-quality product; instead, it proposed experimenting with lalang grass, which grew everywhere in the country, as a medium for a cheap quality output. The collection and export of high-grade waste paper was recommended for repulping by Indian mills, and this was the first of the association's suggestions that were actually carried out. This move led to the erection of a new paper mill on Singapore Island by a group of Chinese. And just before war broke out in the Pacific the enterprise had stimulated the government to project its own larger mill in Singapore itself. The upshot was that only ten of the four hundred tons of waste paper collected, in the summer of 1941,

were shipped to India and the rest was kept in the country pending the materialization of the government's paper-milling venture.

The utilization of animal waste was recommended by the association not solely as a war measure but as a permanent source of revenue for Singapore Municipality, from which it was thought \$8,000 could be realized annually. As regards collection of scrap metal the association judged the steps already being taken by the government to be adequate. On the possibility of making acetic acid from the sawdust produced in local sawmills, the association found that the type of wood used was unsuitable. It likewise turned down the idea of recovering bran feed from pineapple waste. After publishing its conclusions the association left the next move to the government. Although the report was largely negative the value of the association's survey was greater than its application to the war situation. For the first time the resources of Malaya had been studied in relation to a general planned economy and not solely in terms of private commercial profits.

Late in March, 1941, official light was finally shed on Malaya's wartime industrial accomplishments. The governor stated that the country was already making mines with which to defend her shores, and was ready to manufacture shell cases and revolvers and to convert lorries into armored vehicles. The trade schools of Malaya were able not only to provide training in any semiskilled occupation but even to manufacture war supplies, if required. Nearly three hundred men, trained by these four schools, were already serving with the R.A.F., and double that number were undergoing instruction in a special year's course. The Department of Supply was investigating the possibility of producing certain engineering stores of which the Eastern Group was likely to run short.

Only in one field did the official program register more achievement than aspiration. Upon the outbreak of war the Singapore Harbor Board was called upon to arm merchant

vessels and to convert local ships into armed naval auxiliaries. By the end of June, 1940, eighty-nine ocean-going steamers had been converted and armed, and a large number of naval auxiliaries completed, thanks to the Harbor Board's prudent foresight in laying in two years' stocks, prior to September, 1939. The German conquest of Western Europe increased the volume of this type of work, to which was added the protection of ships against magnetic mines. The manufacture of naval equipment for anti-submarine operations was also carried out on a mass production basis. The first Diesel engine to be built in Malaya was constructed in record time entirely in the machine shops of the Harbor Board and exclusively by Asiatic labor under European supervision. This development was regarded as the most promising postwar possibility, both for supplying local needs and for export.

Another new enterprise, more indirectly the product of war stimulus, was added to the miniature roster of Malaya's industries. In 1940 a subsidiary of Malayan Collieries began to manufacture plywood cases for rubber exports. While these were proudly proclaimed to be all-British, the only Malayan article used in them was the timber. This outlet was but one aspect of the heightened activity given to part of Malaya's sawmill industry by the war.

For many years the local timber market had operated under the handicap of fluctuating demand and prices—an unfortunate repercussion of Malaya's dependence on tin and rubber. The prosperity of those two industries brought about excessive demands for timber, but when their sale prices were low Malaya's sawmills lay idle. The Forestry Department strove to protect the young sawmill industry against such irregularity, first by a system of licensing and later by developing an export trade to Great Britain. For this trade the Department tried to utilize certain neglected species of timber, but the primitive hand-sawing methods which prevailed in most of the Chinese mills and the high cost of freight transport

militated against more than a mild degree of success. The transportation problem, in more local terms, was responsible for another obstacle to the development of Malaya's timber industry. The Chinese mills of Singapore were so situated that they preferred to import their raw material from the East Indies rather than from the peninsula. Nevertheless, up to the outbreak of war, Malaya's timber exports were growing to the point where a trebling of her output was envisaged, although she still continued to import far more timber than she exported.

The war stimulated the demand for certain types of local timber, killed the export trade to Great Britain, and accentuated the established trend away from Singapore's Chinese mills to those upcountry. As regards total output, Malaya's sawmills were fairly successful in maintaining their peacetime production, in view of the difficulty of obtaining machinery and the shortage of labor, since other emergency departments were luring laborers to jobs more remunerative than timber cutting. Because of this labor shortage and the wartime demand for hardwoods, hand sawyers were steadily driven out even by antiquated Chinese mechanical saws. The war virtually put a stop to the export of sawn keruing, which normally constituted more than half of Singapore's timber shipments. This was not a wholly undesirable development from the viewpoint of the Forestry Department, which felt that Malaya was using up her hardwoods too fast under pressure of wartime demands; but the Singapore sawmillers, alarmed at their future prospects, hardly concurred. Shipping difficulties made it hard for them to get their usual supplies from the Indies, so that the peninsular mills, being adjacent to Malayan timber supplies, were forging ahead at the expense of Straits output.

The possibility of starting the local manufacture of wooden articles heretofore imported from Great Britain was rejected owing to the limited local supplies of the right type of timber.

Equally impracticable was thought to be the suggested substitution of local woods for imported cement and steel in house building, but for a different reason. In addition to the inadequacy of stocks of seasoned timber there was the universal and strongly established custom of allowing contractors to supply their own materials. The only hopeful possibility lay in a greater expansion of the local manufacture of matches. Malaya could not seriously envisage mass production of timber for some generations to come—that is until her regenerated forests came to maturity.

In taking the tally, one must conclude that shipbuilding was the only important new industry born of the war. While more of a study of the problem had been undertaken than ever before, its conclusions only pointed up the impracticability of seriously industrializing the country. The war stimulated two existing industries, tin smelting and timber, and created a third whose outlook was promising—but that was about all.



## VIII

### LABOR

THE CENTRAL PROBLEM in the Malayan labor question has been the stabilization of the country's working forces. The lack of an indigenous population numerically able and psychologically willing to hire out its services has made Malayan industries dependent on labor imported from China and India. While the latter could by virtue of its status as a British possession be made subject to agreements between the two governments concerned, the growth of Indian nationalism increased the Indian government's use of its power to prohibit emigration in order to effect changes in the economic and political status of its nationals domiciled in Malaya. The Chinese government, preoccupied with maintaining its sovereignty at home, never played an analogous role in Malayan affairs. It vacillated between denunciation, indifference, and finally a not disinterested solicitude for its overseas children. Thus while Indian immigration could be better regulated according to Malaya's economic needs, the conditions imposed by the government of India increased its cost and never permitted the local administration to be wholly master of the situation. Chinese labor, on the other hand, could always be controlled from the Malayan end. Furthermore, the Chinese preferred to make their own terms with individual employers.

#### *Immigration*

Government control naturally began with the recruiting of labor, although it was slow in getting under way for both

Chinese and Indian immigrants. The exploitation of the newly arrived Chinese by their own secret societies led to a series of riots culminating in 1872 and resulting in the appointment of the first Protector of the Chinese in the Straits Settlements. Raffles had shown an early appreciation of the need for ensuring the coolie immigrant some legal protection, but his Ordinance of 1823 remained a dead letter. The "pig business," as it was prettily called, became the object of such abuse that anti-foreign riots broke out in the southern Chinese ports from whence came most of the immigrants, and the Straits government was finally compelled to take a few halting steps to control it. Successively the Malayan authorities improved the accommodations on the ships bringing in Chinese immigrants, restricting their landing to certain ports where a medical examination was enforced before disembarkation, and tried to see that coolies understood their contracts before signing. Coolie depots were licensed, and steps taken to stop the kidnapping of laborers for work upcountry. Most of these measures proved ineffectual in practice, but they were important in making the coolie immigrant a subject of official interest. The early labor work of the Protectorate consisted in settling disputes about contracts as well as adjusting complaints about wages from both free and indentured coolies.

The abolition of contract labor in 1914 failed to alter the methods of recruiting in China. The agent, who was either the representative of a Malayan employer or an independent individual, still paid coolies' passages and advanced them money, although the labor code now placed limitations on the amount of coolie indebtedness, and liability for repayment was made a civil one. Early in the twentieth century the Chinese government began to take more interest in regulating recruiting agents in Chinese ports. Licenses were required in order to prevent violence and misrepresentation. The number of Chinese laborers paying their own passages to Malaya steadily increased, and their presence naturally im-

proved conditions of labor. Immigration from China remained spontaneous, and no cases of assisted immigration have been dealt with by the Secretary for Chinese Affairs (formerly the Protectorate) since 1927.

While Chinese immigration to Malaya depended on the degree of prosperity there—that is, the state of the tin and rubber industries—it was even more influenced by conditions in South China. Starvation and population pressure in the provinces of Kwangtung, Fukien, and Kwangsi, from which most of the laborers came, always caused a heavy outflow to Malaya irrespective of the state of its economy. Chinese immigration grew with the extension of British control over the peninsula, but the demand for immigrant labor became enormous only with the rapid expansion of the rubber industry. Until the outbreak of the First World War conditions in both Malaya and South China stimulated the movement, but after 1914 the number of unemployed Chinese in Malaya became so great as to constitute a menace. Many of them were repatriated at Malaya's expense, and for almost a year immigration was totally prohibited. Once the flow of immigration stopped, it was not easily reestablished; and it was further retarded by Malaya's rice shortage in 1918-19 and by the rising price of silver. Since nearly all of the Chinese sent money to the homeland, the higher wages in Malaya lost their attraction when the value of the Straits dollar fell to about a third of that of Hong Kong. Yet the number of Chinese residents in Malaya in 1921 was 1,175,000 as compared with 916,619 a decade before.

The Chinese coolie traffic increased in the 1920's despite local repercussions from political upheavals in southern China—the stronghold of the Kuomintang and the scene of an anti-British boycott in 1926. The turbulence of the resident Chinese provoked the administration to draft an ordinance in 1927 restricting Chinese immigration into Malaya and pro-

viding for the deportation of undesirables. Analogous measures were simultaneously taken by the Siamese government, so that a drastic curtailment of immigration was foreshadowed in the two countries of Southeast Asia where, heretofore, the Chinese had been the most welcome. The depression brought both the voluntary and the assisted repatriation of unemployed Chinese: of the 167,903 Chinese who returned to the homeland in 1930, 13,000 were destitutes repatriated by the Malayan government. Since in that same year a total of over 242,000 arrived in the Straits the local government felt it necessary for the first time to enforce the restriction ordinance. A quota was applied to the number of male Chinese entering Straits ports, and direct immigration to the peninsula was stopped entirely. This quota was progressively cut till it reached its lowest figure of 1,000 monthly in 1932. The Aliens Ordinance passed in that same year extended government control over all adult male immigration other than that of British subjects.

By 1934 the international restriction schemes for tin and rubber ensured sufficient prosperity to permit raising the monthly quota to 4,000, but the increasing mechanization of the tin industry contributed to check the Chinese inflow. In spite of the increasing percentage of women immigrants in the interwar period, which helped to make the Chinese population of Malaya more stable, it still remained predominantly transient. The need for a more settled if smaller labor force in the country so as to reinforce the growing minority of Straits-born Chinese, and the spread of the Sino-Japanese War to South China in 1938, were the main factors contributing to the greater stability and homogeneity of Malaya's Chinese population noted in the late 1930's. In the five years preceding the Second World War only about 380,000 Chinese entered Malaya as compared with the maximum of 359,262 recorded in the single year of 1927.

While Indians had, like the Chinese, visited Malaya long before the arrival of Europeans, their arrival under British auspices was originally in the form of convict colonies and as troops garrisoning the country. With the opening up of the peninsula Indian labor was encouraged for both public and private enterprises. Government control began late in the nineteenth century and followed for some years the pattern for Chinese immigration. But in the case of Indian immigration rubber planters developed their own type of recruiting. Kanganies, or workers on Malaya's rubber estates, were sent back to India to recruit other laborers. To check the abuses which grew with this system, the licensing of kanganies was introduced in 1901. To prevent the crimping which developed with the sudden increase in the demand for rubber tappers, a common recruiting organization, the Immigration Committee, was created in 1907. Three years later indentured labor was abolished.

India's Emigration Act of 1922 again brought the emigration of Indian laborers to Malaya under that government's control, and the Malayan authorities were forced to meet India's terms. This new law was, however, built on the framework evolved by Malaya's government and planters. It introduced a standard regional wage for Indian laborers, provided for the compulsory education of their children, the payment of maternity allowances to female workers, regulated kangany recruiting, and—most important of all—abolished the penal sanctions for breaches of contract. The Immigration Committee was placed under a Malayan civil servant, the Controller of Labor, who represented all official and private employers of labor. A tax was levied on all the latter group in proportion to the extent to which they used Indian labor. This fund covered the expense of bringing laborers to Malaya, repatriated the destitute, maintained homes for the decrepit, and cared for laborers' orphans. The two governments collaborated through the Malayan officials stationed in Indian

emigration ports and through the Government of India's Agent, who had supervisory but no executive powers over Indian laborers in Malaya.

Before the depression non-kangany recruited, or voluntary, immigrants formed an increasing minority among the Indian laborers in Malaya. The slump in the tin and rubber industries stopped Indian emigration until 1934, when it was resumed under conditions that generally obviated the services of kanganies. These conditions provided for a limitation of immigration and entitled the laborer to repatriation within two years for reasons of ill health, unjust treatment, or the impossibility of finding suitable employment at standard wages. This agreement spelled the end of kangany recruiting; it was in any case doomed by the growth of voluntary immigration which had reversed the labor situation within a span of fifteen years. In 1920 only about 12 per cent of the Indian laborers entering Malay were non-recruited, but in the middle 1930's their proportion had risen to over 91 per cent. The restriction schemes were cutting down Malaya's needs for unlimited labor forces, and conditions on many Malayan plantations had by now acquired such a reputation in India that kangany recruiting became, like the indentured system before it, an unnecessary additional expense. The Sastri report of 1936 brought about the formal abolition of kangany plantation recruiting. Thereafter it retained its usefulness only for the recently established palm-oil industry and for estates which had not yet built up their own recruiting grounds in India. After 1934-35 the Government of India, without consulting Malaya, imposed quotas on emigration to Malaya but left the latter administration in control of the numbers. In 1938 Malaya retaliated by enforcing a wage cut for Indian laborers without previously consulting the Indian government. The result was a ban on all assisted emigration of Indian labor to Malaya which was never subsequently removed. At that time there were about 355,000 Indian laborers in Malaya.

*Occupations*

The Chinese in Malaya were divided into groups based on linguistic and geographical divisions, which were often also reflected in their occupational employment and in their distribution throughout the country. The Hokkiens, for example, were extensively engaged in agriculture but also formed the bulk of the trading classes, and were more than twice as numerous as any other Chinese group in the Straits. In the Federation, however, they were far surpassed by both the Cantonese and the Hakkas, who were more rural in habit and were engaged mainly in mining and agriculture. On the eve of the depression the number of Chinese employed in professional work was small. In the Straits their percentage was 0.8 as compared with 12.8 for Europeans; in commerce, 18.4 versus 25 for the Occidentals. While still complementary rather than competitive, the Chinese were beginning to invade European preserves in the upper branches of trade and finance. Only in the political field did the British place any obstacles in the way of their expansion. The vast majority of the Chinese were still the mainstay of both skilled and unskilled labor. On the eve of the Second World War 58,451 Chinese were employed in tin mining, or 85 per cent of the total; 64,490 on estates or in factories, or 18 per cent of the total so employed; and only 4,923 Chinese in government departments, or 9 per cent of all those serving.

The last analysis of the racial and occupational divisions among the Indians was furnished by the census of 1931. At that time they numbered a little over 624,000 in Malaya, 14 per cent of the total population; and the Tamil component came to five-sixths of the whole. With the exception of a very small mercantile and clerical class the Tamils were migrants, employed almost exclusively on rubber estates and to a much lesser degree in mining and general labor. The Indians formed about a third of the total population in most of the Malay

states, their proportions following the comparative local development of the rubber industry. On the eve of the Second World War the number of Indians had grown to 744,000, but their ratio to the total population had undergone little change. The vast majority were still manual laborers: well over 200,000 were employed on rubber estates; 7,000, in mines; 8,000, in factories; and nearly 48,000 in government departments. In general they filled the same positions as the Chinese, only less ably and with lower pay, being preferred to the Chinese only in the rubber industry where they proved to be more docile and less prone to political agitation.

Malays, as either skilled or unskilled laborers, were never more than a negligible element in any occupation which demanded hard and continuous toil, except fishing and rice farming. Indigenous Malay labor could be said to have existed only in the Unfederated States, where alien competition was at a minimum. Kelantan alone among them worked out a system for providing its rubber estates with Malay laborers without breaking up their cherished village life. The failure of the Education Department to link its curriculum to the Malays' vocational needs and its fees to their purses was responsible largely for the dearth of skilled Malay labor. A lack of statistics on the immigration of Malays into Malaya makes it impossible to appraise that movement. Up to 1918 Javanese immigration, including a high proportion of women, went on steadily; but the rice shortage of that year and the postwar depression not only checked the inflow but drove many Javanese back to their native land. The 1931 census noted the progressive decline of Javanese immigration and the numbers employed on Malaya's rubber plantations. The following year Malaya abolished contract labor for Javanese workers, which had been retained at the insistence of the Netherlands Indies government; but this failed to stimulate their inflow. In 1935 there were only 11,000-odd Javanese workers in Malaya.

Periodically the question of a larger utilization of Javanese



labor in Malaya was revived, notably in the last months before the outbreak of war in the Pacific. Undoubtedly it would have been advantageous from the viewpoint of proximity and assimilation with the indigenous Malays, but it long encountered the opposition of the Dutch authorities and was hampered by the tendency of the Javanese laborer in Malaya to become a small holder himself as soon as he could.

### *Conditions of Labor*

The early ordinances regulating alien Asiatic labor were codified for the Federation in 1912, and for the Straits in 1920. The Federal code underwent no fewer than twelve modifications before—along with the Straits code—it was completely revised in 1923. Until 1925 the Controller of Labor at Kuala Lumpur enforced the code only in the Colony and the Federation; but thereafter his control was extended to the Unfederated States, where the main provisions of both codes were enacted. In this way Malaya's labor policy on housing, sanitation, medical care, and wages was made theoretically uniform, but in application it varied with the nationality of the laborer, with the region, and with the type of employment.

Employers were required to provide sanitary housing, a pure water supply, a hospital or dispensary facilities, and to take antimalarial measures. In 1910, when the coolie death rate from malaria reached devastating proportions, the Federation created a separate unit in its Medical Department to watch over the health of estate laborers. The Sastri Report of 1936 endorsed such health and housing measures as had been enforced by the Labor Code, notably the recent replacement of the barracklike "coolie lines" by individual cottages which gave the laborers more family life and greater freedom from managerial spying. Two factors greatly simplified the housing problem for Malaya employers: the Chinese workers gen-

erally lived off the estates, and there were no high-caste Indians.

The medical care dispensed by estates has been much criticized. Many of the health measures existed only on paper. In general, the small estates were the most lax in their enforcement, and the official inspection to which they were subject jacked up standards only momentarily. Managers of large plantations were less likely to regard health officers as officious interferers, and in some cases themselves voluntarily introduced improvements. Yet it was a bald fact that the number of estate hospitals declined steadily from 232 in 1937 to 211 in 1938, and the medical practitioners in charge of them from 27 to 22. Some of this decline was accounted for by the merging of small hospital units into a larger institution, but the problem of providing adequate medical care for the smaller estates which were not served by any group system of hospitals never was solved. The contention that the government should aid in their establishment was given special cogency by the Medical Department's policy that government hospitals were not necessarily available to estate laborers.

Undoubtedly an improvement was effected in the health of estate workers, notably in malaria control, but most of the government's measures were preventive and hygienic. Little progress was registered in laborers' nutrition: their milk was frequently watered, and their ghee and dhali often adulterated. Legislative enactments to encourage coolie gardens were not enforced in times of prosperity. Both the government and the employers were indifferent to them, and the laborers only slightly less so when their plots were situated within sight of the coolie lines. Pandit Nehru's plea for equal wages to Indian laborers was based on his contention that the Chinese accomplished more work only because their diet was superior. Of recent years the need for creating a permanent labor force in Malaya led employers to consider improving the diet of

laborers' children; and where this was done estate hospitals had fewer patients. Too often, however, the employer regarded his responsibility towards his laborers as finished when he had paid their wage bill.

The living conditions in Malaya have been conditioned by the abnormal sex ratio. The policy of encouraging Indian laborers to bring their families was never carried out to the same degree by Malayan as by Ceylonese employers. According to the 1931 census there were 644 females to every 1,000 Indian males, but during the subsequent depression years the exodus of women and minors to India was particularly heavy. When, however, the ban on assisted emigration was lifted in 1934, laborers showed an increasing tendency to bring their families with them. And in this they were encouraged by the maintenance of a satisfactory wage level, differential rates of assessment giving employers an incentive to employ women, maternity allowances, and a dollar bonus for each child of non-recruited immigrants, crèches and schools on estates, etc.

The sex ratio among Chinese immigrants showed the same great disproportion, though the influx of Chinese women after the last war and even more in the middle and late 1930's brought greater stability to the resident Chinese. It also notably improved the conditions under which both sexes were employed. The Hokkiens had the distinction of the least abnormal sex ratio of all the Chinese in Malaya—620 females to every 1,000 males—arising from their predilection for mercantile and urban pursuits which provided amenities for living conducive to the greater immigration of their women.

### *Wages and Hours*

In the same way that Indians dominated the rubber labor market, Chinese supplied the bulk of mining coolies. The majority of the Chinese tin miners worked for a daily wage or by contract, but a minority were employed under the tribute system, in which the initial outlay was made by a

mining speculator; he limited his liability towards his workers to housing and feeding, and paid on a share basis only if the mine worked out and after he had received his tribute. Wages were generally paid either by piecework or by the day. The Chinese vastly preferred the former method—in 1936, 80 per cent of the Chinese in the Federation's mines were so employed—since it put a premium on individual industry. Though there was an increasing trend in later years towards the direct employment of labor, the majority of Chinese laborers were still hired through contractors, who acted as interpreters for their European employers and took a percentage of the wages paid through them to the coolies they supplied. As they also were the coolies' provisioners, they took a commission on the necessities they sold. In the west-coast states where contractors did not enjoy such a monopoly, because the region was more accessible, they took about a quarter of their coolies' wages; along the east coast, about a tenth.

The labor employed in mines was less closely supervised by the Labor Department than that on estates, both because it was more scattered, and because it was predominantly Chinese. The character and habits of the Chinese always made them less tractable to official paternalism, and the Malaya government never cared to assume more responsibility than it had to. Apparently the higher wages paid to miners were considered by the Chinese to be adequate compensation for the absence of such privileges as Indian rubber tappers enjoyed, in housing, education, and medical facilities. As the contract system prevailed for mining, it was to the contractor-intermediary that the independent Chinese looked for any aid, rather than to the government.

The same general conditions as in mining held for the Chinese estate laborer. The Chinese tapper was paid by the weight of latex he collected, whereas Indian laborers received a daily wage. The 1931 census reported slightly over 100,000 Chinese engaged in rubber production, either as owners or as

laborers. As specialization was unknown in all Malaya occupations the percentage of hired labor was hard to determine, but probably came to less than half that figure. Malaya was a country where 65 per cent of the community was engaged in the production of foodstuffs and raw materials, while a minority served the needs of the majority in the way of administration, marketing, transport, supplies, and personal services. The comparatively undeveloped state of industry in Malaya and the multiplicity of occupations pursued by a single individual or firm contrasted sharply with Western countries. A Malay peasant might plant rice, grow rubber and fruit trees on his own land, and also be a fisherman and bullock carter. Similarly a Chinese might have a general store, own a rubber estate, breed pigs, and run a billiard parlor on the side. On a nationality basis, the Malays dominated in the producing end of agriculture and fishing, the Indians on rubber estates, and the Chinese in the mines and factories.

Wages were higher for industrial work than for estate labor, and consequently the industries were filled largely by the Chinese. Theoretically they had a nine-hour working day, a six-day week, extra pay for overtime, and workmen's compensation for injuries. There was never a fixed wage for Chinese labor, but factory pay averaged from 80 cents to \$1.20 daily for men. But here again the Chinese preferred to be paid on a piecework basis, with the result that they earned about a third more than the Tamils. A few official inquiries into the condition of work for Chinese laborers, conducted in the 1920's, gave some clue to their problems. The chief hardship was the excessive cost of passages from China, and the failure of some contractors to pay their laborers promptly and to give them an accounting at the end of each month. It took the strikes of the Second World War to make the government attempt to redress these grievances.

Up to the outbreak of war the government's reluctance to control Chinese labor as it had done Indian met with general

approval. Actually the only effective official control exercised over Chinese labor was through the restriction of immigration, and the Chinese laborer in Malaya was left legally exposed to exploitation of the most flagrant order. The only official committees appointed to consider Chinese labor questions were those dealing with recruiting. Nothing came of their limited efforts, and the government's policy remained simply that of letting the Chinese laborer take care of himself until the Chinese government should become strong enough to insist on reforms for its overseas nationals as the Government of India had done. The answer to the whole problem was that spontaneous immigration from Southern China for many years had worked satisfactorily enough. When the president of Malayan Collieries made two successive pleas in 1937 and 1938 for the creation of a Malayan Wages Board and reproached the government for neglecting the Chinese laborers in the country, it was the first time in seventeen years that a large employer of Chinese labor had boldly stated that what was good for the Tamil was good for the Chinese. And at the time neither the government nor public opinion, or even the Chinese, shared that viewpoint.

In contrast to the neglect of the Chinese laborer, the Indian coolie was positively coddled by the government. The report of Srinivasa Sastri, who was sent out by the Government of India on an investigating mission in response to the criticism of Indian nationalists, confirmed the contention of Malayan planters that the system evolved was a highly satisfactory one and that the Indian laborers in Malaya were "happy children in a happy land." Sastri simply recommended minor reforms in a system of which, on the whole, he warmly approved. The planting community was naturally delighted with his testimony, but the Central Indian Association of Malaya (CIAM) termed it too superficial and too favorable.

The Sastri mission hardly proved to be the deputation to end deputations that had been hoped for, and the relief it

afforded did not last many months. To adjust the labor supply to the drastically cut rubber quota in 1938, the Malayan government put almost a full stop to Indian immigration. As this proved to be inadequate a 10 per cent cut in tappers' wages was imposed, and a second reduction threatened for later in the year. The unemployment problem in the spring of 1938 affected 30 per cent of the workers, besides reducing wages for the rest who had retained their jobs. On the ground that such labor conditions were detrimental to the economic interests of the vast majority of Indians in the country, the CIAM sent a cable of protest to the Government of India which was one cause of the ban subsequently imposed on assisted emigration from that country. With this gesture the newly organized CIAM became the spokesman in Malaya of nationalist opinion in India, and its increasingly aggressive expression of the Congress viewpoint, as applied to local problems, was resented by Malaya's planters. Indian nationalists looked upon the question as primarily one of national prestige and honor, whereas the latter group regarded it as a purely economic problem.

Although technically emigration was a subject reserved for the central Indian government, in practice the Madras administration had a good deal to say, since its population was the one principally affected and since it, as a Congress government, had strong pro-labor sympathies. Ever since the Sastri report was published Congress followers in India had viewed with growing displeasure Malaya's increasingly pro-Malay policy because it foreshadowed an ever less liberal attitude towards the domiciled Indian. The repatriation of shiploads of Indian laborers, whenever industrial conditions were bad in Malaya, was a source of embarrassment and irritation to the Madras government. Malaya, it was said, extracted all the good out of the Indians and then sent them back home like sucked oranges; the estate laborers who had refused repatriation were cut adrift to form a floating population of "tragic orphans"

occupying the lowliest positions in Malayan towns. As the Indian population permanently settled in Malaya was increasing year by year, and as they continued to be treated as semi-alien on a second-class citizenship basis, the Government of India felt that it must refuse to let any more of its nationals emigrate to Malaya. In reality the ban was imposed to serve as a bargaining point, less in regard to future emigration than to improve the status of Indians already in the country, whom the presence of a surplus labor force, through the increase of voluntary immigration, was keeping in a permanently depressed condition.

The machinery for importing labor into Malaya had worked well enough for half a century, but it had now come to a standstill and something more positive was needed, chiefly the enunciation of some new principles regarding future emigration, such as the question of citizenship rights for the domiciled Indian community, and better facilities for their education. The Labor Code had succeeded in landing the Indian immigrant in Malaya a free man, without debts which bound him either to the kangany or to his employer. It had also prevented the worst abuses in the employer-employee relationship. But labor legislation was still too meager in Malaya, and its enforcement generally negative. Virtually nothing had been done to develop the Indian laborers into a self-reliant, coherent body. The day of favors and paternalism was definitely over, but the Indian community in Malaya showed no propensity to stand united and to insist on its own rights.

The slightly veiled contempt with which the Indians were regarded in Malaya was partly responsible for their being such a weak, divided, and resigned community. Indians, although British subjects, were the least privileged of the three Asiatic groups in Malaya, partly because—except for the chettyar moneylenders—they were poor and unorganized, partly because of the British habit of treating them as a subject race, and partly because they were so divided among themselves.



The majority were illiterate coolies, regarded usually as only half-human; they were in Malaya simply because they would have starved at home, and their one thought was to make enough money to return there. The middle classes had no roots in Malaya, little cultural life, and only a modicum of public spirit. The Hindu-Muslim cleavage and caste distinctions, although mitigated by expatriation, were further contributory factors. Such public spirit as existed was confined to home affairs, although this showed signs of wearing thin under the repeated collections taken up in Malaya for India's causes. The Indian associations and newspapers struggled for a bare existence, and the Indians had no public institutions comparable to those of the Chinese. Such organizations as existed were communal, sectional, or professional bodies, and even these groups tended to subdivide. Socially the Indians remained a class apart, intensely conservative, reserved and clannish even within their own racial group.

The government had no temptation to exercise a divide-and-rule policy among a community already so weak and disunited. The appointed government officials were yes-men, inaccessible to the small fry among their compatriots. Being concerned chiefly with their own advancement, they were overly given to wrangling among themselves. Into this leaderless community stepped the CIAM, in 1937, to attempt a unification of the different Indian groups throughout Malaya, and to try to interest the apathetic Straits-born and educated Indian class in their own political status as well as the conditions of life for their laborer compatriots.

Unfortunately the arbitrary attitude adopted by the CIAM and its assumption that it spoke for the whole Indian community aroused opposition there as well as among the Europeans. In spite of the advice given regularly to Malayan Indians by every distinguished compatriot who visited the country over the past ten years—that they must present a common front in order to improve their status—the rise of

the CIAM gave new cause for division. That organization began to be regarded by the local-born as the mouthpiece of only the immigrant community, in close touch with the Congress movement in India to which it looked for the redress of its grievances. The CIAM warmly denied the imputation of double loyalty and justly said that it was only natural that Indians in Malaya should look to the government of their homeland for support of the rights denied to them in the land of their adoption. No one could deny that such advances as had been made by the Indian community in Malaya—that is, the laboring class—were instigated solely by the Government of India through the pressure it exerted on the Malayan authorities.

The memorandum submitted by the CIAM at the time of the Delhi conference in 1938 to discuss the ban on Indian emigration, contained proposals distasteful to Malayan planters, who felt that it ignored all the efforts they had made in the past to improve their laborers' welfare. The demand for an eight-hour day did not in itself arouse widespread antagonism. But it was said that tappers worked considerably less than that minimum, and that the types of employment in Malaya were too various for such a hard-and-fast ruling to be practicable. The memorandum's denunciation of estate toddy shops provoked the usual controversy regarding the merits of teetotalism, since it was a subject on which Malayan opinion was perennially divided. The CIAM also asked for a more satisfactory scheme for the education of laborers' children, so that it should be taken out of the hands of indifferent and inexperienced planters. The government, it claimed, should take more responsibility by providing free vernacular schools on the same basis as it did for the Malays. The reply to this was that neither the rubber industry nor the government was financially able to launch such a program. The planters admitted that the quality of estate education was low but claimed it was better than that of village schools in India. If anything

more ambitious were demanded, the government would have to furnish it. To expect rubber companies to provide English education for their Tamil coolies' children, said one planter, was as fantastic as to help them learn to play the piano.

Certainly the problem of giving instruction to a mixed labor force of Indians, Chinese, and Javanese was beyond the planters' scope, and has never been resolved since its study was first undertaken in 1912. One of its most serious obstacles was the unpopularity of estate schools with both Indian parents and children; and if it had not been for the managers, in most instances, quite possibly the government would have found no estate school children to supervise or to educate. Child labor was employed extensively on rubber estates, and the sums earned by their children made an appreciable yearly contribution to the coolies' budgets.

The wage proposal of the CIAM was the one most widely discussed. Pending the establishment of an ultimately desirable Wages Board to fix a minimum wage throughout Malaya, the memorandum suggested that an independent tribunal be set up to adjust wages in accordance with the cost of living, and no longer base them on the fluctuation of the rubber industry. The old yardstick had been abused in the past, for wages were likely to be cut faster during a depression than they had risen in times of prosperity. Companies always tried to maintain their payments to directors, managers, agents, and shareholders, so that the first cuts imposed fell invariably on the already slender wages of the laborers. As the Incorporated Society of Planters had already made an identical demand in respect to their own salaries, the employer group could hardly object if laborers asked to have the same principle applied to them.

The matter of wages was the only basis on which Malaya's delegates to Delhi were prepared to negotiate for the removal of India's ban on emigration. But they could not accept the Government of India's proposal of a standard wage of fifty cents a day for men and forty cents for women, in addition to

providing Indian laborers with a share of any benefits that should accrue to the rubber industry in times of prosperity. The Conference got off to a bad start when the Malayan delegates mounted the high horse and said that they could replace Indian by other labor, and that the severing of relations by India would adversely affect the Indians domiciled in Malaya. A prominent Indian nationalist referred to Malaya's Indian laborers as "helots and slaves," and asserted that if they were transients in the country and better off there than at home the same could be said of the Europeans. Official India's contention was not that her nationals were badly treated in Malaya, but that they could be better treated: Malaya's reply was that she could not afford, either from the viewpoint of national policy or from that of the financial status of her major industries to let India dictate such terms. Obviously both sides were bluffing, since India needed an outlet for her surplus population just as Malaya needed Indian laborers.

A deadlock ensued that was not broken even by the outbreak of war. But for the first time in 1938 the Indian question was brought openly to the fore, and the issue clearly joined. Indian nationalists, supported by their government, insisted that the labor question should not be treated as a separate issue, in order to weaken political demands and to liquidate the whole Indian question by placing it on a purely economic basis. The Malayan government was not prepared to offer domiciled Indians citizenship rights in return for severance of their ties with the homeland because it was pledged to a pro-Malay policy, through treaties and through self-interest. The unlikelihood of any imminent increase in the 45 per cent quota then prevailing for the rubber industry, and the existence in the country of a labor force adequate to fill it, was largely responsible for Malaya's bravado. The new planting permitted under the third restriction agreement would not come into production for a number of years, and by then the children of estate coolies—numbering from half to two-thirds

of the current adult force—would have grown up into a permanent local labor supply.

If by some miracle the rubber industry should be permitted to produce to capacity there was always the possibility of importing Javanese labor or of increasing the Chinese quota. The drawback to using Chinese labor in the rubber industry was that it was more expensive, more independent, and more prone to organize along political lines than was the docile and willing Indian. But there always was a predisposition among Europeans in Malaya in favor of Chinese labor because of its greater energy and enterprise. If the wages of Indian laborers were forced up to the same level as the Chinese, the former would lose almost every advantage. Immigration from China was not assisted, and passage money did not have to come out of planters' pockets. If, and only if, prosperity returned to the rubber industry would planters be willing to make improvements of their own accord in the education and medical facilities for labor; but they would certainly not do so if the Government of India and the CIAM held a pistol to their heads. Only when the war quota releases created a labor shortage in the country would Malaya's planters admit their dependence on Indian immigration.

The Malaya government's control over labor could be criticized on the ground that it had been largely negative. The delegations exchanged over the years between Malaya and India had never arrived at anything more than a patchwork solution for the regulation of labor, and had ignored the 30 per cent of the Indian community who were non-laborers. The only two semi-positive attempts it made were in the realm of land settlement and unemployment relief. The predominantly transient character of the majority of the Indians in Malaya was the official explanation of its inactivity. Even when it became apparent that more and more Indians were settling in the country and that Malaya must form some per-

manent labor force from among them, nothing much was done.

Attempts to settle Indians on the land in Malaya began many years before and were generally unsuccessful. On the eve of the Second World War only three such agricultural settlements had been made—by private enterprise. They covered a total of not more than a thousand acres. The government was not willing to reverse its pro-Malay policy by guaranteeing security of Indian tenure, and even failed to compel planters to set aside plots of estate land for cultivation by the labor forces. The CIAM favored the establishment of Indian land settlements in Malaya only if the government recognized the principle of equal political status. Any land grant without fixity of tenure, freehold rights, and subsidies for development would, the CIAM maintained, not only be of little use to the Indian immigrant but be downright injurious to the progress of the Indian community as a whole.

The Chinese were the only beneficiaries of such labor unemployment relief as was furnished by the Malayan governments. Repatriation, though expensive, could still be applied to superfluous Indian labor, but the war in China made it impracticable for Malaya's unemployed Chinese. In any case it solved the problem neither for the employers nor for the employees. While it could be said that the laborers were returned to their native villages no worse off than when they had started, it did nothing to aid their future employment in lands which they had originally left because of starvation conditions. Moreover when prosperity returned to Malaya, employers were caught short of labor, and the time lag required before they could reconstitute their labor forces had on several occasions proved fatal to industries so highly competitive and so subject to swift change. The major labor problem of the 1930's—one which the government never solved—was the constitution of a permanent settled labor force in the country without altering the

official pro-Malay policy or its traditional attitude towards unemployment relief.

During the first half of 1937 thousands of additional laborers were brought in from India, while the inflow from China also increased, to permit rubber estates to export up to a 90 per cent quota and tin mines to 110 per cent of standard tonnage. This sudden and large-scale demand created an exceptional labor situation, and for a brief time even a shortage of manual workers. Fortunately the government was not stampeded into acceding to industries' demands for more labor, or the situation in 1938 would have been even worse. After the export quotas were halved, owing to the American business recession in that year, Malaya's estates and mines were left with a big surplus of unutilizable labor. The sale of export coupons increased, and with it the unemployment in the Malay villages. The buffer tin pool helped slightly, but the Federation's public-works relief program was of greater importance, not solely because it employed many thousands of indigent workmen but because it signified a radical departure in the government's labor policy. Not that this change was complete or even that it absorbed all of the registered unemployed. After having given employment to a few thousand Chinese the Federated government felt that it had made a sufficiently daring departure from its laissez-faire tradition and would go no further. Rather, it preferred to sanction—though reluctantly—wage cuts, with consequences far more dire for the rubber industry than would have resulted from a more comprehensive government relief scheme patterned even after Straits' measures.

To any impartial observer the contrast between the relatively liberal measures taken in one section of Malaya and the reactionary policy followed in another region was totally inexplicable. The government was apparently willing to provide a fairly adequate relief program in the Straits but not in the Federation. The issue was clearly joined, late in 1938, by a

decision to grant almost a million dollars from public funds for the relief of distress in Penang, while simultaneously the Federal government refused to sanction the expenditure of even one dollar for a similar purpose in Kuala Lumpur. Admittedly there was a difference in population—182,000 as against 120,000—but this was insufficient to explain the inconsistency. Penang was a great port, but the destitute were not drifting thither as they were towards the larger town of Singapore.

Since its institution in 1936 Singapore's Jubilee Fund, with a capital totaling almost four million dollars, had been supporting about three thousand persons annually, and its smooth administration made it both a model of social service machinery for the rest of Malaya's towns and the precursor of a more ambitious policy of local relief. Excepting for the influx of refugees from China, those administering the Jubilee funds were able by the beginning of 1939 to report that unemployment at least among the heads of families was not increasing in Straits ports. Nevertheless their policy did not escape the usual charge of racial discrimination and of affording a scale of relief so small as scarcely to be of any real use. The maximum sum was twenty-five dollars a month, and this was doled out only to those Eurasians and Europeans whose previous level of living approximated Western standards.

The question of unemployment relief, and of social service generally, never grew beyond the embryonic stage in Malaya. The government was unwilling to face the issue squarely in regard to the white-collar class, where the unemployment situation was the most crucial, by initiating a uniform and adequate scheme for the whole country. Officialdom preferred, as always, to let private enterprise lead the way and then supplement it by piecemeal subsidies if, and only if, a crisis threatened.

Singapore's ten thousand clerks were often called the most inarticulate body of workers in the country. Their plight was



variously attributed to the lack of efficient organization and disinterested leadership, and to the resigned apathy of the majority among them, who were only too conscious of the superfluity of their numbers. No representative body ever arose which was capable of tackling their problems seriously, by bringing them to either public or official notice, and such organizations as existed were unwilling to venture activities beyond the sphere of sports. The Clerical Union, founded in 1920, had a membership of only 1,547 in 1939. It had no employment bureau, no evening classes, no propaganda, no social or mutual help committees. If it had had independent leadership and had not been financially linked to the employer group, it might have put up a more effective struggle to demand a living wage and the compulsory creation of a provident fund. But as matters stood it was under no illusion as to its members' indispensability, and knew that if they struck as a body the employers could replace them many times over from among the large floating population of unemployed clerks ready to snap up the most humbly paid job. Every year Malaya's schools were turning out about 700 boys qualified for clerical positions, and although it was increasingly recognized that the educational system was badly oriented from the vocational viewpoint such changes as were made did little to alter the existing situation. Since the depression, Singapore's clerks had been drawing salaries of ten dollars a month upwards—barely a living wage—and this was the principal cause of their widespread indebtedness. Comparatively better off were the government clerks, who had initial salaries of fifty-five dollars and special credit facilities.

Employers who were approached on the matter of higher salaries and pension funds claimed that the prevalent initial wage of \$20 a month was not unfair for boys with school certificates, whose commercial value they considered approximately zero. A few courageous protests were made, to no avail, against the custom of many Singapore firms of dismiss-

ing aged employees to replace them by younger men at lower salaries, and to urge that annual holidays and old-age and sickness pensions be granted. Malaya's clerks were never given protection analogous even to that furnished manual laborers by the Labor Department. The list of Singapore firms having provident funds for their staffs, though growing, remained lamentably short. If another economic blizzard had struck Malaya in the late 1930's, there would have been a repetition of the tragic scenes of the depression when hundreds of employees were thrown on the streets with nothing more than a month's pay, if that. Provident funds for Asiatic employees in Malaya continued to be the exception rather than the rule. The majority of Malaya's firms never gave paid vacations other than the public holidays, which numbered about six. While the big European concerns were more generous to their personnel, racial discrimination prevailed in the matter of bonuses and pensions. In the days of prosperity Europeans received twice as much in bonuses as Asiatic employees; and after the depression, wherever Europeans profited by the rising prosperity, the Asiatic staff was completely ignored.

On the other hand, the Asiatic employers, both urban and rural, were consistently the most reactionary in their labor policy. The housing and medical facilities on Asiatic mines and estates were regularly below the official standard. In 1938 the *Straits Times* conducted an investigation of the working conditions for clerks and shop assistants in Singapore which revealed appalling conditions for the vast majority of Asiatic firms. In Singapore's Chinese stores a seventeen-hour working day was common. A lucky minority got off with a twelve- to fourteen-hour day. Factory employees worked ten hours, and very rare were the Chinese shops, either large or small, with an eight-hour working day. The wage scale ranged from eight to twenty-five dollars a month, being lowest for the longest hours. The Straits Settlements Association pioneered in a drive for legislative improvement aimed at the enforce-

ment of a weekly half-holiday and shorter working hours. But it was unable to enlist the cooperation of employers, and the Chinese Chamber of Commerce proved particularly recalcitrant. Thirty-six Chinese traders voluntarily introduced such long overdue but, to them, radical reforms, but the majority excused themselves on the flimsiest grounds. By 1939 it was estimated that only half of the Chinese shops in Singapore closed for a weekly half-holiday. Aside from the grave injustice to individual employees, the prevailing long hours intensified the unemployment problem by making two men do the work of three. Obstinate employers were warned that their opposition might bring down upon them that worst of all evils—official interference. Their nonchalance in the face of this threat was justified. The Malayan governments never got beyond the stage of drafting a few fairly innocuous bills.

In its simultaneous investigation of the local Indian shop-keeping community, the *Straits Times* reported a sharp divergency in the conditions of labor prevailing for North and South Indian employees. North Indians recruited their employees from India, on a two- and three-year contract basis. Board and lodging on the shop premises were paid by the employer; working hours were generally from eight A.M. to nine P.M. with a half-holiday on Sundays and only one full holiday at Deepavali. Wages, began at a minimum of thirty rupees per month, with annual increments of five to ten rupees. Half of these sums were sent by the employer to the clerk's family in India, and the remainder credited to the employee's account. Bad as these working conditions were, they were far better than those prevailing for South Indians, who not uncommonly had to work from six A.M. to eleven P.M. with only three half-hour breaks for meals. The majority of Muslim and Tamil employers in the Straits recruited their assistants locally, but still kept the accounts on a credit basis and paid no actual cash to their employees.-

In reply to criticisms of their working conditions Indian employers blandly asserted that their assistants loved long hours, disliked holidays, and would not know what to do with more leisure. Their assistants, however, complained of crowded dormitories, of bad food, of inadequate wages irregularly credited to them, and of fines arbitrarily inflicted for the slightest transgression. Their chief grievance was the lack of free time and constant nagging supervision. The publicity given to these working conditions by the newspapers at the time effected a few minor reforms. The South Indian Chamber of Commerce was forced to reconsider its earlier stand and to come out, late in 1938, in favor of a reduction of working hours and of granting half-holidays on Sunday. The bulk of the Indian mercantile community, however, was even more active than the Chinese in opposing these inadequate changes.

No analogous investigation was made of the working conditions for urban manual labor. Although three-fourths of it was government-employed, even the Labor Department, under whose supervision it was nominally placed, knew little about it. The CIAM vainly urged an inquiry into its status, as even from superficial observation the condition of urban laborers was miserable and their work inadequately compensated. The petitions received by the Indian Agent did, in the absence of published information, throw some light on their working conditions. Government coolies complained of being arbitrarily fined for trivial causes, of insecurity to dismissal without a proper investigation and irrespective of length of service, and of inadequate enforcement of the provisions of the Labor Code.

In general they were paid the standard wage for estate laborers. But the provision of free treatment in government hospitals and more permanent jobs were such additional attractions that plantation coolies tended, wherever possible, to seek such employment. When this happened on any large

scale the rubber interests revealed their influence over the administration. The result was that government departments tended to follow the wage scale set by the planters so that estate labor would not be drained away. Fundamentally, however, the depressed condition of urban manual labor as well as estate labor was due to the surplus of Indian labor maintained by the steady flow of immigration.

### *Organized Labor*

The strike waves which began to affect Malayan industry in 1936 precipitated government action by initiating a legislative framework for organized labor. The demand for such machinery did not come from the working classes themselves, nor from their employers who, however, generally admitted its necessity. International events inevitably influenced the course of its development, since Malaya's labor forces were almost wholly alien. Political issues became an increasingly important factor in shaping the evolution of organized labor in Malaya.

The labor unrest evident in the middle 1930's differed from its previous spasmodic manifestations. While earlier strikes had been the outcome of certain recognized abuses, like that of the contractor system, the strike of 13,000 coolies employed by the Singapore Municipality in 1936 evidenced the first conscious attempt on the part of illiterate and ignorant Tamils to take advantage of the country's dependence on foreign labor through the strike weapon. Local commentators began to take a serious view of the situation, though most of them did not appreciate its significance, finding it hard to understand why such widespread discontent should exist among immigrants who had voluntarily come to Malaya from starving villages in India and China. The government saw more deeply into the problem. Wholesale deportations were impracticable, expensive, and productive of political repercussions, as the government well knew. Between 1911 and 1931, 21,000 Indians and

Chinese had been deported from Malaya; and subsequently the banishment weapon was reinforced by the power to refuse entry to non-laboring Asiatics. The only alternative left in the late 1930's was to provide permanent industrial arbitration boards to deal with the growing number of labor disputes.

The Singapore coolies' strike heralded others which, significantly, were not confined to one racial group. Also in 1936 both the Indian and the Chinese employees of the Singapore Traction Company struck for higher wages and shorter hours. More serious was the strike which followed it, at the Malayan Collieries, when 4,000 Chinese miners prevented operations there for several days. All these strikes showed a lack of organized leadership and a confusion as to the issues at stake. When asked by the Municipal Council to send delegates to discuss matters, the Indian coolies had replied that one of their representatives was upcountry and the other could not be found. Yet in spite of its loose organization the strike had spread quickly and affected many hundreds of Chinese skilled artisans in private employment. A compromise was reached in most of these instances, and the outbreaks of violence were only occasional.

More serious were the strikes among Chinese estate laborers, early in 1937, which reflected their dissatisfaction at not sharing in the rubber industry's returning prosperity through a restoration of the depression wage cuts. In this case London had a large share in the responsibility. While the local government and many of the planters approved the strikers' demands, the directorates of British-registered companies were loth to sacrifice the first dividends they were enjoying in many a year. Local sympathy for labor in general, however, was somewhat chilled by the interjection of politics into the issue by the Malayan Chinese committee. The strike quickly degenerated into violence, and the government had to suppress it by force. The settlement subsequently negotiated granted

most of the strikers' demands; but, more important, it led to the establishment of an advisory committee on Chinese labor with competence in wage regulation. The Secretariat for Chinese Affairs, which had waged a long and generally successful battle for the regulation of contract labor, the settlement of its disputes, and the suppression of the social evils arising from the presence of so many thousand Chinese immigrants, was now launched further into labor control in a way reminiscent of its early struggles with the Chinese secret societies.

While the power of these old societies had been broken with the secrecy that surrounded them, they continued to exist and were given new life all over Southeast Asia by the anti-Japanese boycotts and the forced collection of China relief funds which began on a large scale in 1937. All through the depression decade nationalist feeling among the Malayan Chinese was on the increase, and proof of communist proselytizing was shown in the evidence of cases dealt with at each assizes. Governor Clementi's action in dissolving the local Kuomintang party in 1931 had contributed largely to the hostility evidenced by the Chinese towards his political reforms. Japan's aggression spurred on Chinese nationalism, notably among the less patriotic second generation Straits Chinese. This impetus revived local fears lest Malaya be regarded both by the home country and by her overseas nationals as a China Irredenta. The divided loyalty of the local Chinese, analogous to that of the domiciled Indians, raised for both alien groups such delicate questions as their naturalization and exact political status in Malaya. The increasingly pro-Malay policy of the government aggravated the depression-born problem of granting more employment opportunities to local-born alien Asiatics, and in the late 1930's this class was developing a permanent sense of grievance.

The retrenchment effected by Malaya's two interwar depressions had resulted in some checking of bureaucratic over-

expansion and in a limited replacement of expensive Britons by Asiatics as a method of reducing administrative costs. But the status quo of the civil service in Malaya remained fundamentally unaffected. The Unfederated States still were able to confine their administrative posts to Malays and to British. The Federated States remained frankly dictatorships, with British officials in the highest posts and Indians, Chinese, and a very few Malays in the subordinate positions. For obvious reasons, official encouragement of the Malays in this sphere was in inverse proportion to their willingness and qualifications for such posts and to the eagerness of the other domiciled Asiatics to fill them. The diverse administrative problems of the Straits and the Federation, paralleling their divergent economies, called for a somewhat different type of civil service, although because of historical circumstances the Colony habitually served as a training ground for officials filling peninsula posts. In the Crown Colony of the Straits Settlements the Malays formed a small minority, without treaty rights, so that the opportunities for employing other Asiatics were correspondingly greater there.

In 1934 the depression opened the Straits Civil Service to the local born non-Malay Asiatic for the first time and stimulated them to press, vainly, for similar concessions in the Malay states. The importance of this concession was in establishing a principle, for in practice it did virtually nothing to satisfy the aspirations of the local-born. From 1934 to the outbreak of war in 1939 the government had appointed only nineteen such candidates, chiefly Raffles College graduates. Not only was the rate of admission admittedly ungenerous, but the few positions opened turned out to be glorified clerkships, carrying little responsibility or scope for initiative and a salary scale far below that for corresponding positions held by Europeans. Both depressions brought in their wake an improved salary scale for all government positions, but far more was done for European civil servants than for their Asiatic



colleagues. The financial prospects for Asiatics were such as neither to tempt clever men nor to furnish a living wage for those appointees who were not clever. Further, one government service, the Malayan Civil Service, was favored at the expense of the others, and this was the branch most hermetically sealed to Asiatics. Those belonging to the seven other government services—the departments of Agriculture, Education, Customs, etc.—had no opportunity to rise to the highest positions in the country, had a lower salary scale and none of the special privileges enjoyed by the Civil Service like rent-free housing. The local-born non-Malay Asiatics could complain with justice that the best appointments did not rest essentially on ability but lay within a privileged top-heavy bureaucracy, insensitive to the reactions of public opinion and correspondingly unwilling to assume responsibility either for failure or for action. The administrative system of Malaya was now a useless anachronism, but one that was never drastically changed because the power to transform it lay with those who had a vested interest in its maintenance.

In the Malay states the non-Malay Asiatics not only made no progress but even lost ground, over the past decade, as the number of Malays in subordinate posts increased. No heed was paid to their protests, which ranged from the theoretical injustice done to them as the country's major taxpayers to the practical impossibility of finding enough qualified Malays to fill such posts. The unofficial Malays, often the same appointees in both Federal and state councils, spoke solely in behalf of Malay interests and ignored those of other communities. The Indians, the third largest population group in Malaya, were inadequately represented on all public bodies: there was only one Indian to represent all three Settlements on the Legislative Council; one nominated Indian in the Federal Council who was also a member of one of the state councils; and the remaining Federated and Unfederated States had no Indian representatives at all on their various state

councils. Indians were denied a vote on rural, sanitary, and public-works boards, and committees to which Chinese and Malays were appointed. The Chinese, who had the largest Asiatic stake in the country, had security, a few rights, and no free education. The Indians had a certain amount of free and poor primary education and virtually no rights except as imported laborers. The Malays had more nominal than actual preferential treatment. The failure to employ and utilize all these groups, other than as manual laborers, was the major internal weakness of Malaya and one on which the government maintained an ostrichlike stand. It continued to confine its protective attention to the laboring class and to ignore the growing middle class which was being formed by these laborers' children. It gave them no outlet for their abilities, no means of expressing their complaints and aspirations.

The growing dissatisfaction of the domiciled alien Asiatics offered a fertile field for subversive political propaganda. It found its most effective expression in strikes, since the country was more dependent on the foreign laborers than on the resigned, disunited, and embryonic middle class who as second generation Malaysians were also farther removed from the political upheavals going on in their home countries than were the immigrants. The gradually growing fear lest an uncontrolled labor movement be fanned by nationalist agitation in the laborers' home countries was confirmed in the two years preceding the European war.

Characteristically, the government long ignored the political angle of these strikes and concentrated on the purely labor aspect of the problems which the strikers successively brought to light. In 1938 the adversity which Malaya's major industries experienced provoked a new strike wave. Of the four important strikes which occurred in July and August of that year the one at the Hong Fatt mine was produced by wage reduction. The other three—all in Singapore—were apparently due to the workers' fear of similar action being taken and their

belief that an anticipatory strike would forestall it. Owing to the lack of labor leadership and the strikers' refusal to arbitrate, notably in the strike of the Singapore Traction Company employees, the strike dragged on for weeks before a compromise was reached. That of the Traction Company, the longest and most serious strike in Malaya's history, turned out to be a valuable educational experience all round. The monopolistic company learned how quickly and how gladly the public dispensed with its services; the strikers began to appreciate the necessity for proper leadership and the fact that all strikes were not won so easily as their two previous walkouts in 1936; and the government was more than ever convinced of the necessity for setting up organized labor machinery. The most significant aspect of this strike, however, was that for the first time it established the principle of arbitration in labor disputes, although the actual decision reached was a compromise contrived by the employer group to settle a controversy that might have led to widespread unrest and even produced a new solidarity among the hitherto disunited labor elements in favor of better working conditions. As evidence of this new trend Chinese associations showed their active solicitude for the strikers who were predominantly Indian.

The government made no attempt to remove the roots of this unrest but did recognize that neither the administration nor the workingman was organized to cope with labor troubles. It realized that an administrative body must be created with sufficient authority to influence both capital and labor towards reasonable settlements. Labor was so devoid of responsible leadership that often its demands were not even formulated before a strike was called, and the strikers would frequently refuse to stand by the agreement arrived at by their representatives. The crescendo of strikes throughout the rest of 1938 and well into 1939, among rickshaw pullers, saw-

mill and public-works coolies, won an ever larger adherence from the general public to the government's viewpoint.

The labor laws drafted by the government in 1938 were based on New Zealand and United Kingdom statutes. The Industrial Courts Bill provided a welcome addition to the existing and temporary informal arbitration machinery—a tribunal to be composed of representatives of both employers and workmen and government appointees to which labor disputes could be referred. The Trade Unions Bill regulated the working of such organizations and protected the members in regard to the funds which they contributed. Its twin, the Trade Disputes Bill, dealt with illegitimate strikes. Needless to say, these bills were criticized on all sides. They were condemned on the usual ground of being mere copies of English legislation, with their teeth pulled. No provision had been made to protect workingmen through their representation by lawyers. The courts would not be representatively chosen nor would their reports be submitted to the bar of public opinion. It was not enough that the government should recognize trade unions: the employers, too, must do so, since in the past the mere suspicion of being a labor leader had frequently led to a laborer's dismissal. The CIAM contended that Malaya's employers and government both looked with the gravest suspicion on collective bargaining, and that they would never permit real trade unionism to develop. The fundamental charge that the government, as the single largest employer of labor in Malaya, was identified with the capitalist interests and had every reason to keep wages low and labor weak and disunited, was given substance by the administration's failure to implement these bills for three years after they were drafted.

The outbreak of war brought fresh economic and political impetus to Malaya's chronic strike wave, and it increased in frequency and violence. The already rising cost of living was

greatly aggravated by war conditions. The Russo-German pact of August, 1939, also stimulated the political motivation of Malaya's strikes, and gave them a new orientation. Simultaneously the currency depreciation and greater awareness of the enhanced profits accruing to the tin and rubber industries furnished additional cause for unrest. The shortage of labor became increasingly acute as the tin and rubber industries girded themselves for capacity production and this made both Indian and Chinese laborers more aware of the efficacy of the strike weapon.

The more farsighted among Malaya's employers granted wage increases as soon as the price of tin and rubber began to rise, without waiting for labor's demands. The government was almost the last large-scale employer of labor to give increases, although early in the war it had urged private industrialists to do so and to foster good relations with their employees in order to avoid any labor strife which might hamper the country's war effort. The government's failure to deal promptly with cost-of-living allowances, in an adequate and comprehensive manner, provoked sudden and widespread strikes throughout Malaya in December, 1939. This did precipitate official action, but the wage rises and allowances granted successively after that time by both the government and private employers were neither uniform nor on a scale commensurate with the more rapidly rising cost of living. This time lag and the effectiveness of the strike weapon in producing the biggest and quickest results made Malayan labor receptive to subversive propaganda.

The first wave of strikes involved principally Chinese laborers, to the number of about 17,000, in addition to those who demanded rises without recourse to collective action. The list of demands presented followed the same general pattern: they started with a request for a wage increase of 20 to 30 per cent, for no dismissal without just reason, for an eight-hour day, for a Sunday holiday, and for full-pay sick leave.

The same old difficulties continued to appear: the rapidity with which crises developed, the generally short period of time allowed to employers to reach a decision before work was stopped, and the trouble which the workers experienced in formulating their demands. The meetings called by different employer groups to consider the strike situation revealed an astonishing lack of information and interest on their part. Many members of the Rubber Dealers Association were shown to be ignorant of the labor conditions on their own plantations and even of the wages they paid. Yet their continued opposition to the organization of labor stayed the government's hand, even after the Labor Bills of 1938 were introduced into the legislative councils in December, 1939.

The more reactionary among the employer group maintained that these bills were both unnecessary and dangerous. The working class was very well off, thanks to wartime production, and there was no evidence that it wanted any change in the existing situation. Labor, at least Chinese labor, was far from unorganized. Guilds and kongsis (mutual aid societies) had been known in Malaya ever since the Chinese came to the country. Indians were protected by the Labor Code. Even the Malay motor-bus drivers in Singapore had formed themselves into an unofficial union. While there might be no legal provision for trade unions in Malaya much the same result was achieved through the registration of Chinese societies. Although the ostensible objective of these societies was mutual aid, they performed other functions which would elsewhere be carried out by legally constituted trade unions. Progressively they had assumed leadership in presenting demands for wage increases, in initiating strikes and in helping in their settlement. Sufficient control was already exercised over them by the Registrar of Societies, who passed upon their registration applications and who, under a wide interpretation of his powers, could dissolve them.

The employer element which favored the labor bills did so

largely through misinterpretation. Their passive form, which merely instituted the machinery for organizing labor without introducing any compulsion to form unions, was conducive to their acceptance. They expected that the union movement would simply become a glorified edition of the old kongsi-guild organization, and that they would at long last provide employers with ready-made accredited labor representatives whose cooperation would facilitate strike settlements. The whole employer group was justified in thinking that this legislation did not derive from labor's demands. No workingman's voice was raised in the country to welcome these bills as Malayan labor's Magna Carta through whose help the toiling classes could attain a fair standard of living as their inalienable right and no longer as an act of benevolence granted to them from above. The employers and the government alike rested happily on the mistaken conviction that the development of the labor movement through this legislation depended on them exclusively.

It was the unexpected growth of the political element in Malaya's labor movement, at first among the Chinese and later among the Indians, that took the situation out of their hands. Without the interjection of this new factor the old Chinese societies alone would have continued to be hampered by their intricate organization and interrelationships in assuming active labor leadership. Unsuccessful negotiations, too, implied the dread possibility of a loss of face. It was the emergence of the China Relief Fund and the closer identification of the communist party with overseas Chinese nationalism that gave the needed vitality to these societies. Through its activities, nominally designed to stimulate the flow of funds to the Chinese government, the Relief Fund expanded into a political power with ramifications extending throughout Malaya's labor movement. "Union" leaders who did not cooperate with the Fund often found themselves discredited as pro-Japanese traitors.

A second complicating factor was the activities of the communist party, which also was operating more and more within the framework of the Chinese patriotic movement. The large growth in the number of registered Chinese societies, whose membership had risen in a year by 20 per cent to include 60,000 persons in 1940, was in the main fostered by this party, which exercised control over them indirectly through an inner clique. The shift in communist policy, subsequent to the Russo-German pact, made this development peculiarly significant. Whereas previously communist leaders had tried to avert strikes so as to permit a more effective collection of funds for China and to maintain Malaya's strength in anticipation of a possible struggle with Japan, the international developments which preceded the outbreak of war in Europe produced a volte-face to anti-British propaganda and to the cultivation of strikes as a means of hindering the country's war effort. The use of the patriotic funds and of benevolent societies as media for indirect control insured a certain immunity from police interference. The increasing economic discontent, the illiteracy and the excitability of Malaya's labor forces made them peculiarly susceptible to a not disinterested leadership, either for political or for personal purposes.

The government marshalled its evidence of the political propaganda behind labor's growing unrest to convert opponents to its labor bills. The strike wave, instead of subsiding as a result of almost total employment and of higher wages, was on the increase among Chinese laborers, and was even beginning to affect the Indians. While the delay on the part of some employers in granting wartime allowances was held to be partly responsible, as was labor's greater self-consciousness, the growth of subversive propaganda was officially regarded as the principal cause. While assuredly there were some legitimate and purely economic grievances, these strikes were not genuine disputes between capital and labor. In support of this contention, it was pointed out that the most serious strike



of all, that of Singapore's Harbor Board employees from January to March, 1940, occurred among probably the best paid and most privileged laborers in the country. The government in its intervention had aimed less at settling this particular strike than at destroying the General All-Trades Union that was behind it. This union was one of the many branches of the picturesquely named Anti-Enemy Backing Up Society (AEBUS) and also was involved with the China Relief Fund. Interpreting this strike as essentially political, the administration uttered a stern warning that labor agitators would henceforth be treated as spreaders of sedition in wartime. But neither this threat nor the stiff sentences meted out to such members of the General Union as it was able to arrest had much effect.

The curious outcome of this situation was that now the most conservative employers, who had heretofore resisted government intervention in labor disputes, began to complain of officialdom's inaction. If the AEBUS had, as the government report showed, been in operation for over two years in Malaya, why had it been allowed to flourish with only intermittent prosecutions? The police reports issued over the past few years had contained soothing statements to the effect that communism was a dying swan in Malaya. In spite of the irritation caused by this revelation the government's strategy succeeded in eliminating opposition to its labor bills, through the general fear now aroused that the situation had already got out of control. Public sympathy for the strikers was definitely alienated by the belief that an organized effort was being made to bring Malaya's trade to a standstill.

An investigation conducted by the Singapore Chamber of Commerce, in the fall of 1940, did, however, show a generally progressive change in the attitude of Malaya's employer group towards labor problems. No longer were labor disputes regarded as too few and too unimportant to warrant more official control. Employers were beginning to recognize that

their erstwhile immunity from such troubles had been due more to the docility and fatalism of Oriental laborers, who had been forced to emigrate from countries where the standard of living touched starvation level, than to the existence of especially good working conditions in Malaya. Since the peoples of Asia were now feeling the forces of aggression and of new political creeds, they were no longer so patient and resigned. Malaya's geographical position and economic importance made her inevitably a focus of the ferment produced by these new forces, and the country's laborers were now past the stage where the tutelage of officials and employers' associations was still acceptable. But because they were poorly educated and inexperienced, the mass of Malaya's working class would inevitably fall a prey to professional agitators. Firmer action was asked of the government by the employers, but officials turned the tables on them by urging them to improve working conditions as the best means of reducing labor unrest. A number of employers followed this advice. In addition to giving wage increases which came to over 33 per cent in the first year and a half of war, they ameliorated their laborers' housing conditions, decreased the number of estate toddy shops, increased the number of schools, and even undertook a survey of their workers' nutritional standards.

The government, for its part, launched an experiment by creating four new posts in the Department of Labor to be held by Chinese assistant inspectors. This move marked a radical departure in that it was grounded on the theory that the education of genuine labor leaders must come from men of the laborers' own race. In 1941 was begun the collection of data by which it was hoped to gain for the first time a general picture of the status of Chinese labor in Malaya. The government also introduced more progressive legislation dealing with night work for women and minors, with minimum age of employment, and with the extension of workmen's compensation to agricultural workers and those affected by occupational dis-

eases. A draft bill was even drawn up to enforce a nine-hour day and improved conditions of employment for shop assistants—the belated implementation of a movement begun four years before. Unions were empowered to provide pay and other benefits to workers during a strike, and the new laws not only recognized the principle of collective bargaining but aimed to facilitate it. The war years certainly marked a great advance in the position of Malayan labor, although the government could not yet wholly renounce its traditionally passive attitude. It failed to create the urgently needed provident fund for Asiatic estate employees and an equally overdue Factories Ordinance, and to undertake a general labor survey for all Malaya.

Probably these steps, too, would have been taken if Indian labor had been quicker to follow the course charted by the more aggressive Chinese. It was not until well into 1940 that the Indian rubber tappers began to show analogous symptoms. Strikes which started among Chinese laborers then spread out of sympathy or through intimidation to Indian co-workers. But it was interesting to note that even where Indians struck for higher wages, as a consequence of previous strikes by the Chinese, they did not emphasize the disparity between their two rates of pay. The greater efficiency of the Chinese was tacitly admitted by the Indian laborers, and negotiations proceeded on the basis of changes in the cost of living. Although it was still generally true that the Chinese preferred to be paid by results and were willing to have their pay cut in a depression provided that there was a proportionate increase in periods of prosperity, whereas Indians preferred time to task payment and continued to think of wage rates principally in relation to their living costs, there was a noticeable change in the attitude of both races. Chinese laborers, with a family and a piece of land, were becoming more willing to accept a daily wage, while Indians who worked near mines and towns were beginning to see the advantages of piecework payment. The

Chinese, however, still evinced a greater appreciation of the value of organized labor machinery.

As the strike movement got under way, more and more Indians participated, notably in the Malayan Collieries and Selangor estate strikes of early 1941. The demands of the 16,000 Indians who struck on Selangor estates included some remarkable requests—that a framed picture of Gandhi be placed in the coolie lines, that the Congress flag be flown at the estate's entrance, and others of a less trivial nature that could have been met without recourse to such violence as characterized these strikes. The anti-unionists among Malayan employers saw the evil hand of the Congress party at work among their Indian coolies, paralleling the communists' distortion of local Chinese labor organizations. Since wages, except in Kedah, had by then risen to sixty cents a day for men and fifty cents for women and were the highest ever paid in the history of Malaya's rubber industry, employers felt that these strikes could not be attributed to depressed conditions. As further evidence of the prosperity of Indian coolies in 1940, the employers pointed to their remittances to Madras, which amounted to more than seven million rupees as compared with slightly over five millions in 1939. However, the paramount feature of 1940, as concerned the planting community, was undoubtedly the growth of trade unionism among the Tamils fostered by political rather than economic causes and characterized by a scramble for power within the unions. Many planters were accused of victimizing union leaders, to which the employers replied that these men were but self-appointed leaders who were irresponsibly creating trouble among their contented flock on any flimsy excuse. But, whether the employers liked it or not, international influences were at work shaping the development of the labor movement in Malaya. Trade unions had received the official blessing and were in the country to stay.

In July, 1941, the Trade Unions and Industrial Courts bills

were at long last enforced. The interval between their drafting and execution had produced a change of heart on the part of the government as well as in the employer's attitude towards them. A progressive realization of the growing political potential in the local labor movement was cutting down the divergence of viewpoint between them, and both capitalists and officials came to regard the new legislation more as a means of controlling labor than of fostering its evolution. The government, as the slightly more liberal element of the two, for some time resisted pressure to declare strikes illegal during wartime on the ground that strikes were responsible for Malaya's unfilled rubber and tin quotas. The government claimed that labor must be educated—it was ignorant and misguided rather than vicious—and that it would go no further than to put down violence with force and deport the ringleaders. But in August, 1941, it capitulated: a general bill was introduced outlawing strikes in essential industries and in the public transport services.

In regard to unemployment, which had been virtually nonexistent for manual laborers since the outbreak of war, the government's policy was positively retrogressive. The problem was more acute than ever for the white-collar class, yet the government curtailed such funds as it had previously spent on relief for this group. In Kuala Lumpur the government failed to authorize any funds at all for local destitution, in spite of the Salvation Army's report on that much debated problem. In 1939 private charity dispensed "relief" to 528 persons in the Federal capital, to the individual total of one and one-half cents a day, or just half the price of a solitary egg. A year later that same organization claimed that, were local relief placed on the same basis as that in other countries, 60 per cent of the population of Malaya would qualify. By April, 1940, the Straits government had provided nearly \$5,000,000 for the relief in the three Settlements of families of the non-laboring class, and only \$3,000 had been so allotted

in just one of the eight Malay states. Malaya's 1940 budget was notable for the absence of any such allocations even for the laboring class, on the ground that the increased tin and rubber quotas had by then obviated all further necessity for government action in that regard. Yet so recently as March, 1941, Taiping was commended for having taken the lead in housing and feeding its destitute population; a new Chinese newspaper was started that year with a special column for the jobless as its main attraction; and the *Bangkok Times* reported that "even in these prosperous times hundreds of unemployed persons in Kuala Lumpur sleep out on the pavements exposed to all kinds of weather."

A year and a half after the European war had started it was still being claimed that "thousands of youths with an English education in Malaya are being made insane as a consequence of unemployment, which is on the increase." The problem was particularly acute among the Eurasians, who tried to maintain a Western standard of living on a salary scale anything but European—if indeed they succeeded in getting any jobs at all as a result of the increasing competition from local-born Asiatics. The Education Department was trying to introduce a curriculum with a more practical vocational slant, but this took time and in any case affected only a small percentage of the population. All the government could bring itself to do was to draw up its thirteenth circular designed to prohibit—by law—the indebtedness of its clerical employees. Nothing much was done to open up more positions in government service to the local-born, or to end the discrepancy between European and Asiatic salary scales. Nor were private firms trying to achieve a set scheme of salaries or more uniformity in qualifications for their employees. The unemployment problem was brought no nearer to solution either by relief measures or by constructive planning through wartime conditions, excepting for the manual laborers as a result of industrial expansion and not of official foresight.

As the war progressed Malaya began to suffer from a labor shortage. While voluntary Indian immigration was maintained throughout the first nine months of 1939 at pre-restriction standards, by the end of the year it was noted that for the first time since the depression the migratory flow was going against Malaya to the net total of over 20,000 laborers. In addition to India's ban on assisted emigration, the greater opportunities for employment in that country, and the higher cost and irregularity of ship passages contributed to accentuating this trend in the following two years. Until the middle of 1940, however, the possibility of an imminent labor shortage was not seriously considered, since the demand for additional workers to fill the tin and rubber quotas had been met by the unemployed available locally. But with the increasing demands for labor from those subsidiary industries, whose productivity always rose with the prosperity of tin and rubber, and with the expansion of the country's defense works, the situation became crucial. Since the latter work was paid for at a wage somewhat higher than the standard, workers drifted to it at the expense of the more permanent industries which, in turn, had to increase their pay scale. More and more frequently the government was asked to resume negotiations with the Government of India for a removal of the emigration ban; but that country's attitude had undergone no change, especially in view of her own rising labor needs. The seriousness of Malaya's labor situation was not generally appreciated until 1941, when the immigration statistics were published, and when the labor shortage was recognized as being partly responsible for the growing intransigence of strikers' demands.

In April, 1941, the migratory flow which had been going steadily but slowly against Malaya swiftly gathered momentum. Fear of a food shortage in the country and of a southward move by Japan was chiefly responsible. Simultaneously the rubber quota was raised to 120 per cent. Drastic remedies

were proposed—an increase of the monthly Chinese immigrant quota and the importation of Javanese labor. The former proposal was turned down on the ground that the current demand was abnormal, and that after the war it would cause a serious unemployment problem. The second alternative was finally adopted by the Malayan government, in September, 1941, after its recommendation by a Colonial Office Labor Adviser who had been sent out by the home authorities to investigate Malaya's strike problems. While the report of this investigation was published sooner than originally scheduled, the outbreak of war in the Pacific followed too swiftly either for its scope to be appraised or for its proposals to be implemented. Possibly it envisaged an enlarged and centralized Labor Department that might have coordinated and reconciled the labor needs of the permanent industries with the industrialization of Malaya along the lines proposed by the Eastern Group program. It was in this direction that Malaya was moving under the impetus of war. But, as was the case with so many other progressive measures that Malaya was bringing herself to adopt under similar pressure, the invasion of the country caught her up short. Years of inaction and preoccupation with her two major industries had prevented Malaya from equipping herself in time with any sort of flexible mechanism that could have been adapted to meet the emergency.



## IX

### FINANCES

#### *Revenues*

IN THE EYES OF ITS INHABITANTS, the cardinal feature in establishing the Straits Settlements' record of almost unbroken prosperity has been the free-trade policy which Raffles instituted. From the budgetary point of view this has meant a minimum of direct taxation, an overemphasis on excise duties, and a reduction of the government's role to that of maintaining order. Thus, from the middle of the nineteenth century, to the second decade of the twentieth, the character of the Colony's revenues changed very little.

Until the war of 1914 there was no direct personal or corporate taxation in the Colony beyond a charge for licenses. Periodically, various governors proposed an income tax as a possible substitute for the declining opium revenues; but, each time, the Straits community maintained an attitude of aggressive hostility to its imposition. The Europeans asserted that such a tax would be evaded by the wealthier Asiatics, and the Chinese maintained that it would unduly curtail their personal freedom and the privacy of their business arrangements. When the imposition of income tax was attempted during the First World War, the sums realized were so small and the opposition so strenuous that it was removed early in the 1920's.<sup>1</sup> Under the patriotic impetus of war emergency in 1940, the government was able to revive this tax; but opposition was still strong and the burden imposed was not seriously felt by anyone. Only about \$10,000,000 was realized from this source

<sup>1</sup> Income tax receipts averaged about \$4,000,000, 1917-1921.

during the first year—roughly 2 per cent of the Colony's total population paying the tax.

It is difficult to do justice briefly to the place which income tax has occupied in Malayan thought during the past two years. The amount of editorial fulmination and epistolary comment it has occasioned is incredible; and it can be said without exaggeration that, so far as Malaya's emotions were concerned, income tax was the major issue of the war. The administration, however, was determined to realize a larger sum than during the last war and to enforce its collection at an earlier stage. Only by a campaign of judicious lobbying, by its promise not to use the official majority in the legislative councils, and by imposing a rate scale ranging from 8 to 12 per cent on incomes beginning at \$5,000 a year did it finally succeed in overriding the opposition. Die-hards proposed a series of alternatives ranging from a war-loans scheme to higher export taxes on tin and rubber. When they realized the inevitability of some form of income tax, they attempted to make their acceptance conditional on its being applied impartially throughout the whole country, including the Unfederated States. Opponents of income tax hotly resented the implication of an unpatriotic disinclination to share the tax burdens of the mother country, which was leveled at them principally by members of the armed forces stationed at Singapore. Their objections, they claimed, were directed primarily against the administration's methods of railroading the tax through. Under the slogan of "no taxation without representation," the demand for an unofficial majority in the Legislative Council was revived, and it was darkly hinted that the Crown Colony type of arbitrary government must be drastically modified when the war was over.

Opposition to income tax in the Straits was mild compared to that in the Federated Malay States. There free trade had never existed, and for years the export duty on tin and later on rubber formed the financial backbone of that producing

area. While the depression and the synchronous policy of imperial preference had forced a widening of the basis of taxation, by the expansion of its mild customs tariff, the Federation still depended principally on the revenues derived from its two major exports. The Federation was the first unit in Malaya to be directly taxed for war purposes, but tin and rubber producers had accepted the 2½ per cent ad valorem duties on their exports, imposed in December, 1939, only on condition that they should be in place of and not additional to income tax. The Unfederated States, particularly Johore, maintained an unbroken hostility to income tax in any form. For the entire Asiatic community in Malaya, the issue of patriotism did not undermine its opposition to income tax as it worked to break the ranks of its British opponents.

The income-tax laws, as finally passed in the last days of 1940, called for a joint yield of \$19,000,000 in about equal proportions from the Colony and the Federation—rather an anemic mouse to have been produced after so many months of labor and stress. The Pan-Malayan idea was out. Opposition was routed in that the principle of income tax was accepted everywhere but in the Unfederated States—which, as it turned out, were the first countries to be invaded and which, justly enough, had paid virtually nothing for the military protection that they did not get. The compromise which the bills represented contained three sops, embodying the direct and indirect promises made by the government over the past year. The first was to officialdom, which had insisted that income tax was the only way to raise the war contribution; the second was to Straits opponents, by making the taxation total negligible; the third was to adversaries in the Federation, by excluding the tin and rubber industries which, however, were to be subjected to additional unspecified taxation.

Strangely enough, the proposed income tax for 1942, which aimed at doubling the amount realized in 1941, aroused considerably less opposition, presumably because it was very

lenient to the rich. While the minimum taxable income was lowered to \$3,000 a year, the rate was 2 per cent up to \$5,000. Thereafter it rose gradually to 12 per cent on annual incomes of \$20,000. The first surtax began on revenues over that figure and reached a maximum of 20 per cent on incomes of \$50,000 and over, although there were quite a few people in Singapore enjoying incomes of \$200,000 or more. In the lower brackets married men were allowed a small exemption while bachelors paid more. Obviously the administration still lacked the courage to employ adequately the methods of taxation which it had determined to adopt. But after having gathered the necessary information and put the collection machinery into working order it was at least showing its intention of stepping up the rates.

During the stormy discussions of income tax early in 1940 significantly little mention had been made of taxing war profits. This was presumably attributable to the fact that the unofficial members on both Councils represented exclusively the vested interests, and to the additional export duties on tin and rubber which were supposed to catch the excess profits made by those industries from increased wartime production. In November, 1940, an official's broadcast called attention to these profits, which had turned estimated deficits in the budget into surpluses and aroused widespread comment. At that time it was estimated that the rise in the national income from the higher tin and rubber quotas was between two and three times as much as Malaya was then contributing towards the war. The net increase in the value of Malaya's rubber exports was over \$180,000,000 in the first year of the war, and the gain to the tin industry measured over \$100,000,000 in the same period. At a very conservative estimate, the speaker concluded, more than \$150,000,000 corresponded to an addition to the country's national income.

When covetous attention was thus called to these profits, defenders of the tax status quo at once sprang into the

breach. They pointed to the long lean years which both industries had experienced during the past decade; to the fact that for a year they had borne the only direct taxation imposed in Malaya; and finally to the high price that they would have to pay ultimately for their present output, both in terms of wasting assets and in a postwar decline in prices. It was further said that the war tax paid by tin and rubber exporters was not a tax on profits but on the gross sales price, which included both duty and freight. Inasmuch as about half of the privately owned rubber was mortgaged, this industry was less able to pay taxes than were merchants or civil servants. Large sums had to be remitted to shareholders, and the raw materials imported by these industries now cost considerably more than in peacetime. The war had brought losses as well as profits to Malaya's other export industries. Copra, pineapple, and iron ore were undoubtedly in a less secure position as a result of the war, but their total losses during the first year need not be put above \$5,000,000 for all three. Losses in the import and entrepôt trades might reach \$15,000,000, but some branches had actually registered gains. Also on the credit side must be placed the increased earnings of the retail trade, transport firms, and the professions, which always occur when there is new money about.

When the draft bill on income tax was presented for public inspection it was noted that company profits were not to be subject to income tax. When it became obvious that income tax legislation was going through, the reasons for company exemption were denounced. Obviously the tin and rubber industries were perfectly free to pass on the war duties to the consumer, and they were bearing no share of the additional cost of transport overseas of their commodities. There was certainly an unreasonable disparity between the liability to taxation of English and local companies, and the London-registered firms were very vocal about the injustice of having to pay 100 per cent excess profits tax while Malayan concerns

were getting off comparatively scotfree. Such protests broke the ranks of solid opposition by the vested interests and provided a good opening for expansion of the Malayan government's tax program. But, while the government had acquired the power to tax without limit and without any preliminary public discussion, its 1942 budget showed that it lacked the courage to tax proportionately the profits still being made hand over fist by local companies. Owing to the difficulties of obtaining accounts for any basic year the proposal was dismissed as "impracticable."

Traditionally, indirect taxation has been the main revenue-breeder of the Straits. In the first two decades of the twentieth century just under half of the total revenues were derived from sales of government opium. The depression and the government's high-price policy, based on Britain's international commitments to discourage addiction, caused the income from opium to decline sharply until it supplied only about 22 per cent of the Straits' income in 1933. Subsequently it rose somewhat with the return of prosperity to the country. Next in importance came the excise duties on tobacco, petroleum, and liquor. These have always been the first to be raised in time of crisis. This was true during the depression, in spite of great popular outcry, and again in 1939 they formed the opening wedge for the government's war tax program.

Although taxation has been by no means uniform throughout Malaya, it was everywhere so light that the public realized that additional burdens would inevitably be imposed by the war. Speculation as to what form they would take grew with the delay in imposing them. As the draft budget was in press before the outbreak of war, and as everyone was reluctant to scrap it, alterations to fit war conditions were pleasantly relegated to the future. Not until three months later, in December, 1939, were cigarette duties doubled and liquor imposts increased by 25 per cent—a gesture calculated to produce only \$750,000 additional revenue. Preferential rates

were still retained for empire or locally manufactured articles.

The budget meeting of the Straits Legislative Council has always been an event of importance in Malaya as it usually preceded a similar meeting of the Federal Council and set the pace of the country's financial policy for the following year. In October, 1939, the governor set at rest all fear of new taxation by referring comfortably to the country's fortunate financial position, which enabled it to meet wartime expenditures from surplus balances. Malaya certainly owed much to its governor, Sir Shenton Thomas, to whose retrenchment policy was largely due its satisfactory financial position on the eve of the Second World War.

At the end of 1939 the Colony's surplus stood at \$79,-500,000 in addition to the \$57,000,000 represented by the opium replacement fund. The admonitions reiterated at every budget session throughout the 1930's, that Malaya should try harder to live within her income by cutting down the constantly rising recurrent expenditures, seemed superfluous in view of the \$136,500,000 lying in the Straits' reserves. For one of the smallest parts of the empire, consisting of little more than a string of ports with no primary production worth speaking of, it was an astounding sum to have laid by.

The "budget-as-usual" tone which was officially struck came as welcome music to the ears of those who feared that the war might curtail expenditures on the country's excellent public services. Apart from this reassurance the budget of 1940 was not noteworthy. The increased deficit in 1939 was largely accounted for by a contribution of over £1,000,000 made towards Imperial Defense. Revenues for 1940 were estimated at \$37,500,000 and recurrent expenditures at \$37,-100,000, with more than \$8,000,000 entered for extraordinary expenditures.

While a larger group than heretofore had to pay the new indirect taxes imposed on certain luxuries in the spring of

1940, the rich were still more affected by them than the poor. The most important of these new imposts was a doubling of the death duties, which produced on a less vociferous scale the same protests as did the income-tax controversy. Death duties, three in number, were not new in Malaya, having been introduced in the Federation as early as 1897. Progressively the rates had been raised and the range of dutiable property extended, so that within the past ten years this duty had been increased by 500 per cent. Yet in 1940 the total amount collected therefrom came to only \$1,495,496, of which the bulk was derived from Selangor and Perak.

The Chinese community was up in arms and repeatedly petitioned the Councils to scale down these "ruinous" rates. Its contention that the reproduction of analogous United Kingdom measures was inappropriate in Malaya throws interesting light on the comparative distribution of wealth in both countries. Great Britain, they said, was primarily a manufacturing country where much of the wealth was easily realizable, whereas Malaya's chief wealth lay in immovable property. Her chief industries—agriculture and mining—would receive a fatal blow if suddenly deprived of capital. Forced sales to pay estate duty would likewise send the property market tumbling down, with disastrous results to the landed proprietors who formed the majority of the country's rich men.

In Malaya large fortunes were exceptional, and the custom of equal division among heirs—again the reverse of Great Britain—in any case ensured a wider distribution of property and a greater circulation of money. The government's response to this plea was a lowering of the rates on estates of over \$3,000,000. This affected only a handful of people, as there was not in Malaya, at a rough estimate, an average of one estate a year that paid duties on property valued at that figure. Petitions to lower the duties on medium-sized estates



failed to receive satisfaction, in spite of the fact that the revenues in 1940 vastly exceeded estimates—thanks to the increased exports of tin and rubber.

For 1941 the Colony budgeted for a deficit of \$11,000,000. Revenue was estimated at \$46,200,000 and expenditures at \$57,500,000, with approximately \$41,000,000 given as the Colony's total war effort. War-duty collections were expected to amount to about \$4,400,000. The outbreak of war in the Pacific prevents any exact appraisal of the sums actually collected.

The history of the Federation's financial relations with the Straits Settlements has been complicated by their involvement with the two major political problems of Malaya: decentralization and the powers of the Malay sultans. The administrative reforms consolidating the Federation in 1909 planted the seeds of a growing distrust of "the fetters of Singapore." Every attempt subsequently made to decentralize the bureaucratic power of Kuala Lumpur (the Federation's capital) was regarded there as only a veiled attempt on the part of the Governor of the Straits to gain control over the larger revenues of the former, and was opposed on the ground that it would shake the Federation's financial framework, under which it had so phenomenally prospered. From 1909 to the First World War the Federation's revenues had almost doubled, thanks to the rubber boom of 1910 and the generally synchronous rise in tin prices.

The postwar depression forced the Federal government to adopt a retrenchment policy, and the obvious absurdity and expense of so many separate administrations in the country led to talk not only of decentralization but of a Malayan Union. While all were agreed that a retrenchment policy and a stricter supervision of the extravagant Federal administration were imperative, the tin and rubber producers—both British and Chinese—opposed any decentralization in a common front based on a solidarity of economic versus racial interests.

After much storm and fury it was decided that the financial status quo be retained. This perpetuated the dependence of the four Malay states composing the Federation on Federal allocations, though a gradual alteration was envisaged whereby eventually the funds placed at the states' disposal would suffice to meet their total expenditures. The return of prosperous budgets in the middle 1930's did not, however, lead to any change in the sums allotted to the individual states. *In toto* they did not amount to even half of the Federation's revenues. (The political aspect of this attempt at decentralization resolved itself into a certain dispersal of the executive authority, but this redounded to the ultimate advantage of the British Residents and not to an enhancement of the powers of the four Malay sultans, as originally intended.) All the attention of officialdom in the years preceding the Second World War was concentrated on the creation and disposal of surplus funds in wholly Federal terms.

While depression deficits accentuated the already established trend to widen the basis of taxation, the Federation like the Straits Settlements lacked the courage to tax seriously; it preferred to economize, even at the cost of curtailment of such services as education and public works. The reduction of the administrative personnel was offset by a lengthened pensions list. Such new imposts as were imposed proved to be mere palliatives and, what was worse, fell chiefly on the poorest classes, since revision of the customs tariff raised the cost of living for the masses. Only the return of prosperity brought by the international restriction scheme for tin and rubber saved the country from having to revise drastically its taxation system. In view of the mounting surpluses in the middle 1930's the retention of depression taxation seemed superfluous; but the government was vainly pressed for a clear statement of its fiscal policy. The Federation, however, did learn a few lessons from the depression, at least to the extent of not returning to the reckless expenditures of

boom years and of increasing allotments to the social services. But not until 1937, three years after its Treasury reserves had once again begun to mount, did the Federal government reduce the depression import duties on certain foodstuffs. Curiously enough, the administration found justification for its "prudent" policy the following year in the big drop in tin and rubber prices, without any apparent realization that it had failed in its more important task of making the Federation's finances more independent of world prices for these two commodities.

In 1938, for the first time in five years, the Federation budgeted for a \$13,500,000 deficit. While this could hardly be called a satisfactory state of affairs, Sir Shenton Thomas on the eve of the Second World War was in an excellent position to defend his financial policy. Coming to Malaya at the end of 1934 he had found practically no reserves in the country, and in the four years that followed he had accumulated \$12,000,000 annually in reserves by a policy of economy which obviated the necessity for fresh taxation. In the last year of peace the Federation's opium fund stood at over \$31,000,000; the general surplus amounted to almost \$54,000,000; the revenues anticipated for 1939 were expected to exceed \$60,000,000 although expenditures were slated at about \$74,000,000. The war, of course, altered this picture, and the Federation's fortunes rose on the tide of tin and rubber prosperity so that revenues in 1939 came to \$70,200,000 and expenditures to \$77,100,000.

Cautious budgeting characterized the estimates for both 1940 and 1941. Revenues in the former year amounted to \$98,500,000—the highest for many years past and a third as much again as they were estimated—while expenditures totalled \$78,500,000, including a gift of \$10,000,000 to the imperial government. The chief item affecting this happy state of budgetary affairs was the export duty on tin, which alone amounted to \$23,300,000—more than twice the sum antici-

pated and almost double the amount realized in 1939. The export duty on rubber yielded \$7,300,000, as compared with the estimate of \$3,000,000, the amount derived from this source in 1939. Prudence again was the keynote of the 1941 estimates and was likewise rewarded with phenomenal increases which netted the country large sums in spite of the greatly enhanced expenditures arising from war conditions.

### *Expenditures*

For many years the Colony's military contribution was both the most notable and the most disputed of its expenditures. After the first settlement of this famous controversy, early in the twentieth century, at 20 per cent of Straits' revenues, the local community was increasingly irritated to find that its contribution was almost every year becoming more advantageous to the imperial government. During the depression this issue once more became acute. But no sooner was it stabilized again in 1933, at \$4,000,000 annually, than the Colony found itself making such generous additional gifts to the home government under pressure of the international situation that this item still topped the list of expenditures. The Straits Settlements contended that it would gladly contribute to London in times of stress, but in return wanted the home government to accept the principle that the Colony's regular allocation for military purposes were to be made exclusively for local defense.

Public-works appropriations have usually ranked next in importance, although they have varied more in relation to total revenues because they were wholly under local control. The peak year for such expenditures was 1931, when they came to the sum of \$8,100,000. Three years later they sank to about \$1,000,000. In third place came police expenditures, which took the large proportion of 10 per cent of the whole budget—approximately \$3,000,000—regarded as necessary for so polyglot and turbulent a community as that resident in the

Straits ports. By 1934 pensions and gratuities, which had been steadily mounting, came to occupy fourth place with a total considerably over \$4,000,000.

The lack of correlation of Malaya's statistical information, arising from the existence of separate budgets for the different administrative units, has made it difficult to appraise the extent and significance of the country's public debt. It has been estimated, however, that the per capita debt of the Straits Settlement is £2.4—not excessive, but higher than the corresponding figures for Thailand and the Philippines. In the Federated Malay States, the largest administrative unit with a common budget, 15.4 per cent of the total expenditure represented the public debt. On the whole, Malaya's public debt was not especially burdensome when compared with that of other countries in Southeast Asia.

Whenever budgetary deficits have threatened to impose a more realistic tax burden in the Straits, there always has come a demand that the administration cut its costs to the bone. Early in the 1930's the unofficial members of the Legislative Council forced the appointment of a retrenchment committee similar to the one called into being to cope with the depression of ten years before. This committee was less critical of fundamental government policy than of its negligence in having failed to check departmental overexpansion in prosperous years. A 13 per cent cut in annually recurring charges and personal emoluments was recommended, along with an especially drastic curtailment of the public-works program. How thoroughly a committee composed of five unofficial members, and one official ignored the nation-building function of government was shown by its advice to reduce expenditures on the educational, medical, and police services. The reappearance of a balanced budget in 1933 was largely attributed to the administration's cooperation in implementing these recommendations.

The conservative spending policy which characterized the

Thomas administration, plus the rapid improvement in tin and rubber revenues, enabled the Colony to revive its public-works program and allot small increases to its educational and medical services in the late 1930's. In this the administration showed some courage, as the recurrence of deficits, albeit small, produced words of caution and reproach at every budget session. Government critics claimed that this policy was a perverse reversal of the good old days when every year the Colony had been able to add to its reserves instead of draining them away through steady annual increases in recurrent expenditures.

Much the same pattern, but on a larger scale, was reproduced in the Federated Malay States: The reckless expenditure of the boom years was followed by drastic economies in the major services. While the Federation was not forced to make any contribution to imperial defense it had its own grievances, notably in its assigned role of milch cow for the impecunious Unfederated States. Its surpluses had been drawn on for loans to the areas which Britain took over from Siam in 1909 and for the construction of the peninsular railroad which linked Singapore, Penang, and Bangkok. In meeting the rice shortage of 1919-21 nearly half of the \$42,000,000 loss was borne by the Federal government. Two years later the Federation's reserves (\$100,000,000 at the close of the First World War) had evaporated, and a loan had to be raised. Overexpansion of the civil service and a too elaborate public-works program, based on the assumption that the Federation's revenues would indefinitely continue to expand, were blamed by the Retrenchment Committee. The remedy proposed was greater decentralization and the substitution of cheaper Asiatic for European officialdom. While Federal credit was safeguarded by the meager measures taken, the degree of financial autonomy meted out to the individual states was too limited to emancipate them from Kuala Lumpur; their bookkeeping became even more confused; and the interstate financial relation-

ship remained what it had been when the Federation was inaugurated—Pahang meeting its usual deficit from the surpluses of its wealthy westerly colleagues. The greater employment of Asiatic personnel in the administration pushed the Malays even further into the background, since only alien Asiatics were qualified for such appointments. In both instances official policy failed to achieve its objectives. But as usual the *deus ex machina* of Malayan affairs appeared in the form of enhanced revenues from tin and rubber which relegated long-term policies to the background and obviated the necessity for making any radical change.

The traditional complaints about the government's extravagance and military contributions grew louder in 1940 and 1941. While construction of the world's greatest naval base at Singapore was both flattering and reassuring to Malaya, it also reinforced the irritation chronically felt at the financial drain represented by London's perennial policy of making the Colony pay for what the latter considered to be properly an imperial responsibility. The Munich crisis alarmed the public and changed its attitude as was shown by the gift of \$10,000,000 voted for imperial defense by the Legislative Council in October, 1938. While this sum was only half that given by the Federation towards the naval base in 1927, that gift had been made at a time when the tin and rubber boom was pouring money into the Federation's coffers. The economic position and outlook were both very different a decade later, and this time it was the Colony and not the Federation which was making this contribution from resources which by their nature were difficult to replace.

In the interwar period Malaya contributed, at a conservative estimate, £20,000,000 for defense. Of this sum £11,900,000 came from the Straits; £2,300,000, from the Federation; £500,000, from Johore; and in May, 1939, Kelantan gave \$100,000 from its meager revenues. Quite naturally the Straits felt that the Federation was not bearing a fair share of the

whole country's defense. Just before the war broke out this small Colony was paying out nearly one-third of its yearly revenues for imperial defense and thus footing one five-hundredth of the total British rearmament bill. While it is doubtful if any other part of the empire was making so large a contribution in proportion to its size, it is also unlikely that any other area was comparatively so wealthy.

The pressure which the Straits exerted for a more equitable distribution of the defense burden failed to achieve its purpose. But an agreement was reached finally between the different administrations regarding the much disputed apportionment of expenditures on wartime departments. The basis taken was that on which the Currency Fund was administered: The Straits were to bear 45 per cent of this burden—though nothing was said as to what this meant in dollars and cents or just how it was to be spent; the Federation was to pay 40 per cent; Johore, 10 per cent; Kedah, 5 per cent; and the north-eastern Unfederated States made no contribution at all. The extravagance and inefficient overexpansion of Malaya's wartime departments became the main grievance of the country's taxpayers, who were suspicious that the proceeds from war taxation were not remitted to the Imperial Treasury but were surreptitiously squandered by the local government.

### *War Loans*

The plan for a war loan as an alternative to the hated income tax was strongly supported by the articulate Malayan public. At first the government opposed it as a substitute for taxation on the ground that it would unjustly pass the war burden on to posterity, that it would be hard to raise locally, and that it would be used only by the rich as a safe investment and as a means of avoiding their obligations to the state. It was but another form of indirect contribution, one that avoided the fundamental necessity of drawing on Malaya's savings. Dissatisfaction at the slowness and inadequacy of Malaya's finan-



cial contribution to the war, especially after the Nazi invasion of the Low Countries, revived the project.

In May and June the Legislative and Federal councils adopted proposals to appoint committees to report on the feasibility of raising local loans, whose proceeds would be given to the imperial government for the prosecution of the war. Because the public so obviously preferred a war loan to an income tax the government decided to capitalize immediately on the former without, however, relinquishing the eventual imposition of the latter. When the reports were submitted in August 1940, that of Singapore showed unanimous approval of a 3 per cent loan of \$25,000,000, while that of the Federation calling for a \$20,000,000 loan included a minority report which revealed the divergence of views between the different parts of the country. Briefly, the Straits committee favored a series of all-Malayan loans to be serviced by an all-Malayan tax on incomes, but also expressed grave doubts as to the practicability of this proposal. The idea of a pool specifically designated for war purposes, in which there would be no dissensions as to how Malaya's war expenditures would be borne, was especially attractive to the Colony since it was there that the bulk of such expenditures was incurred. But the Federation would have none of it. The majority report at Kuala Lumpur was willing to service the loan by means of income tax but could not recommend that the proceeds be paid into a common fund. The minority report showed flat opposition to income tax in any form. The attitude of the Unfederated States remained noncommittal.

The comparative smallness of the amounts specified reflected the unnecessary delay which had retarded their issue. Soon after the war began estimates of the sums that could probably be raised by a loan in Malaya ranged from \$100,000,000 upward, but less than a year later the reporting committees doubted if even \$45,000,000 could be obtained. None of the reports contained concrete suggestions about overcoming the

servicing difficulties, and that of the Federation was downright suspicious of being unfairly treated to the Colony's advantage. It was curious that servicing a loan to the sum of \$125,000 monthly should have presented any problem for a country whose revenues then showed a surplus of \$16,000,000 over expenditures. All were agreed that the psychological moment for launching war loans had passed.

Public confidence was an important element in the whole issue. The outbreak of war had caused a run on Malaya's savings banks which persisted for about three months. In December 1939, however, the tide turned; two months later the ground lost was more than regained, and the number of depositors in Straits banks (55,925) even showed an increase of 3 per cent with \$249 as the average sum to the credit of each depositor. While the number of depositors in the Federation (102,433) represented an increase over the previous year, the amount to their credit (\$131 was the average deposit) represented a small loss of about \$100,000. The sum total, both in the number of depositors and in their savings, was extremely small for a country whose wealth in that year, 1940, was estimated at about \$800,000,000. This worked out to an approximate income of \$25 per employed person a month—a very high average, judged by Oriental standards, and enormously better than the depression average of less than half of that sum.

The confidence of the country as reflected in savings-bank deposits received another setback after the collapse of France. A new run was staged on the banks, partly stimulated by rumors that the government was about to seize laborers' savings. But towards the end of July withdrawals ceased and a return of confidence was general throughout the land. Small traders largely abandoned their practice of hoarding silver coins, and there was a pronounced improvement in the stock and share markets. The slackening in the demand for local loans at about the same time was attributable to other reasons,

chiefly the greater popularity of the 3 per cent British Loans sponsored by the banks of Malaya. This caused the Federal government prudently to set a more modest goal than the Colony for its loan objective. Actually, at the time the loans were launched there was more untaxed wealth in the Straits Settlements than in the Federation, owing to the absence there of war duties on tin and rubber exports.

The Federation's War Loan Enactment of 20 August 1940, was drafted with due regard for its own interests. This loan was to be a wholly Federal affair, and the method by which it was to be serviced and redeemed left in abeyance—not a vital point in view of Federal surpluses. This move was a blow to Pan-Malayans, since it showed that Kuala Lumpur's aversion to being subordinated to the Colony had not abated even during the war. It also revealed that the Federation had ways of raising revenue not open to the Straits, for which the imposition of income tax was the only means of servicing its loan. The Unfederated States, in their turn, would not agree to war taxation administered by either Singapore or Kuala Lumpur, and were adamant in their opposition to income tax for any purpose whatsoever.

Ten days after the war-loan enactments were adopted, the issue of war savings certificates was authorized, with a unit value of \$15 and an upper limit of \$10,000,000. As a money-raising scheme these certificates were a success; but as a means of encouraging the small wage-earner to save they fell far below expectations. Certificates were indeed sold in considerable quantities, but not to the people for whom they were intended. Obviously the scheme never caught the popular imagination or savings. Employers who were officially invited to interest their employees in the scheme replied that all their attempts to exercise pressure failed to overcome the suspicion with which these certificates were regarded. Further, the clerical class as a whole was grievously in debt.

In 1941 the limit of the savings certificates was increased,

and new loans of \$10,000,000 each were raised in the Colony and the Federation. Pessimistic misgivings about this method of contributing to the war effort proved unjustified; all the loans were rapidly and heavily oversubscribed. The government's loan policy was, like all its war legislation, hesitant and inadequate. The public response could hardly be regarded as patriotism since the fortunate holders of these loans were presented by the government with a bonus which was not taxable. Even so, observers concurred in believing that there still remained considerable capital in Malaya awaiting even better investment opportunities that were, however, destined never to occur.

### *Voluntary War Gifts*

In 1940, with the spasm aroused by the income-tax discussion subsiding as the news from Europe became daily more disastrous, the *Straits Times* launched a war fund which tested the willingness expressed then by so many people to pay a self-assessed income tax. The promise was made that this new fund should in no way divert money from the Patriotic and Red Cross funds which for the first six months of the war were the only channels for private giving in Malaya. In contrast to the humanitarian appeal of these two organizations, the war fund was to be used frankly for destruction through the purchase of a bomber squadron. In cooperation with the local banks the *Straits Times* undertook to defray all the incidental expenses. The country's newspapers gave daily publicity to this appeal: they were perpetually gratified by even the smallest donation but never satisfied with the total.

Certain companies in Malaya voted large contributions, but others found that their by-laws did not empower directors to dispose of the shareholders' money in such a way. A sensation was caused, in August 1940, by the refusal of the chairman of the Straits Trading Company, probably the wealthiest firm in Malaya, to put a resolution granting \$100,000 out of company

resources to the war fund. The chairman was accused of having advanced the normal date of his company's meeting so as to forestall legislation permitting local firms to allocate sums for such a purpose. The chairman's reply was unconvincing. It was hard to believe that the war fund was only a newspaper publicity stunt: he had not felt compelled a few years before to consult shareholders about a subscription of \$50,000 to Raffles College; moreover he had announced some eighteen months previously that his company could from its surplus funds continue to pay 150 per cent dividends for the next three years "without turning another wheel." A few weeks later the government, which had failed to initiate any analogous war fund showed that at least it was not opposed to such private enterprise by passing a bill removing legal impediments to company contributions. In general, however, the war fund enjoyed official silence rather than official support.

In its first three weeks of existence the *Straits Times* fund received nearly \$2,500,000, and in the same period about \$400,000 was contributed to a similar fund in the Federation. The Chinese started the first fund for the relief of air-raid victims in December 1941 and, apparently without irony, launched an Aid to Britain campaign. Yet the names of some of the country's wealthiest residents have been conspicuously absent from the list of donors. Signalled out for dishonorable mention by the press were the Indians of Singapore, notably the 150 *chettyar* (money-lender) firms, which had prospered mightily under British rule.

Subscriptions generally slackened after the first few weeks, averaging thereafter under a million a month. This breakdown in the system of voluntary giving in so rich and lightly taxed a country as Malaya, riding on the crest of a tin and rubber boom, was grist to the advocates of income tax. Slightly less than half of the sum raised was made up of small gifts, showing that the wealthy Malaysians regarded the war fund as a charity rather than as a means of self-preservation. An attempt

to revive the last war's public lotteries was stopped short by governmental opposition. Lotteries even in so worthy a cause, it was said, took too much money out of circulation and out of the profits of those least able to afford losses. Opposition to gambling on economic ground was the only valid objection that could be raised by an administration whose revenues came so largely from taxes on liquor, opium, and betting.

In the fall of 1940, when the probability of increased war-time taxation again loomed on the horizon the contributions to the war fund began to fall off badly. A sudden spurt was registered every time the enemy scored a victory, but this level of generosity was not sustained. Many still refused to give, allegedly because the fund was unofficial or because it was launched as part of the campaign against income tax. Yet in June 1941, when the fund stood at \$5,500,000 it was hailed as a voluntary effort without parallel in Malaya's history. Six months later it had crawled up to \$6,000,000.

The phenomenal prosperity achieved by Malaya in such a comparatively short span of time proved to be only superficially good luck. Not that the country did not experience its downs along with its ups, but its generally prosperous revenues were regular enough to remove the necessity for a drastic revision of the fiscal system. Every time Malaya seemed to be on the verge of achieving a more equitable basis for revenues and expenditures in the interests of the country generally, it was swept along established channels on the tide of another boom. For the most part the government continued to be run for, if not directly by, the vested interests.

Since the government always derived the bulk of its revenues from tin and rubber it had every interest in aiding those industries. The country's big producers were very conscious of this dependence of the administration on their output, and used it to keep government in what they thought its proper place—that of maintaining law and order and fiscal stability. Measures that did not contribute directly to the country's

economic well-being were frowned upon as extravagant or as unwarranted interference. Thus programs of public works and public health that supplied Malaya with the means of communication and of retaining its labor force were accepted, but starvation appropriations were allotted for educational and social services. The vast majority of Malaya's population was very poor, but the wealthy few so rich and so powerful that it was in their interests that the bulk of the country's revenues were expended.

The disparity between the autocratic powers legally enjoyed by the government and their very limited use was nowhere more striking than in the field of finance. The Second World War catapulted the government into a role for which it was quite unprepared, and which it was afraid to play. The opposition to income tax, for example, was so vociferous that after a long struggle the administration wearily contented itself with merely imposing it "in principle." War loans were whittled down to practically nothing, and in the process the Federation and the Unfederated States were allowed to call their own tune. Everywhere selfishness and regionalism broke down attempts to contribute the financial maximum through a united effort. Local companies were allowed to get away with their enormous profits intact. The amount of untaxed wealth in Malaya has always been noteworthy—in fact, the lightness of the tax burden was one of the country's main attractions for investors. But those to whom the war brought unexpected profits showed a shortsighted reluctance either to subject them to proportionate taxation or to give an appropriate share towards the support of the armed forces which might have preserved for them the sources of their wealth.

## X

### · WARTIME TRADE

THE DEPRESSION PROVED THAT overconcentration on tin and rubber, at the expense of a better balanced economy, had made Malaya's commercial history a fever chart of prosperity alternating with poverty, whose fluctuations were caused by world conditions almost wholly beyond local control. Not only did the economic crisis in Malaya reflect that of the United States, her best tin and rubber client, but the universal fall in prices struck hard at other minor industries which she had recently developed such as vegetable oils and pineapples. Wage levels declined, causing a contraction of local purchasing power and consequently of the import business. Above all, state revenues, dependent as they were upon the country's two major industries, were for the second time in Malaya's prosperous history declining.

The Retrenchment Committee of 1921 had expressed itself as against relief works and a debt moratorium, offering no constructive suggestion beyond that of economizing. General trade was to be allowed to right itself, which it did. Institutions like the Rubber Research Institute were provided with technical staffs by the government, but the industry itself was to pay for them. The cooperative movement was launched, but the government supplied only the directing element and none of the initial capital. This confirmation of the laissez-faire principle in the 1920's was capped by abolition of the Straits income tax at the clamorous insistence of the mercantile community. The inefficiency and insufficiency of the Rice



Control Scheme in 1919 was regarded as proof of the folly of government interference in business, and the years that followed the postwar depression were of such unequalled prosperity as to obviate any further opportunity or possibility for the assertion of official control.

The depression which struck Malaya about 1930 called for measures sterner than those taken a decade before. Another retrenchment committee virtually repeated the advice of its predecessor, but soon it was apparent that this was not enough. Man still could not live by tin and rubber alone. Crop committees were called into being to recommend methods for achieving self-sufficiency in food, and their suggestions gave a mild fillip to the agricultural producing industries. This policy, however, was relegated to the background after the international control schemes for tin and rubber had restored a certain degree of prosperity, and the quota system and imperial preference had reoriented the import market in the middle thirties.

None of these steps, it is safe to say, would have been undertaken on local initiative alone. Only pressure from London could ever have moved the Malayan administration to use the unpopular weapon of the official majority in local councils to pass the quota measure, or to involve the country in international agreements in which local interests felt decidedly slighted. Only the force of an unprecedented depression in a country with the habit of prosperity and untrammelled trading could ever have made Malaya's merchants and producers, ill prepared for adversity, submit to government controls. The 1930's witnessed the entry into the economic sphere of the Malayan government, whose action had heretofore been virtually confined to working undisturbed in a political vacuum. The depression served as the opening—albeit faltering—wedge for progressive official controls which, during the Second World War, were carried to such a point as to deal a mortal blow to the structure of economic liberalism.

*Business Organization*

The Straits merchants tried bravely but obstinately to cope with the swiftly altering pattern of their trade. Throughout two depressions, they clung to the freedom of their ports as the foundation of their prosperity from the days when it represented a radical economic innovation. They resented and resisted governmental interference, either local or imperial, not only in proposals for an all-Malayan customs union, imperial preference, and quotas, but even in the creation of a Department of Trade. A small but powerful group, notably the guiding spirits of the Singapore Chamber of Commerce, opposed the institution of a "merchants' kindergarten" even though it seemed to be the only way of saving the Straits entrepôt trade, because they feared that it would not be amenable to the maneuvering of the small clique representing the big trading firms. In this instance, however, the government gave them no cause for alarm. While official action increased its scope, regarding production and markets, it left almost untouched until the war the mechanism of local trade distribution.

The large agency houses were Singapore's most imposing media for the import of goods into Malaya. During the inter-war period British firms were outnumbered by non-British houses, but all acted as agents for a variety of commodities regardless of their manufacturers' nationality. The agencies also had a hand in local production, and their close relationship with the rubber industry was often criticized as detrimental. In general it was true that when tin and rubber were fetching high prices the agency houses which specialized in Western imports flourished. The Japanese dealt a severe blow to these houses by underselling them when the depression was cutting down local purchasing power, and Asiatic merchants were tending more and more to purchase direct from the manufacturers. They only kept going at all by grace of the natural

conservatism of the Oriental market, which made it difficult to displace any article once it had been established in public favor. It was mainly the probability that Japan would develop its own distribution organization and monopolize shipping that reconciled the European merchants to the imposition of import quotas and imperial preferences.

Singapore's Chinese merchant combines were the most characteristic feature of Malaya's distributing machinery. The innumerable Chinese secret societies, established originally for political or social purposes, became identified with commerce early in the twentieth century. The combines or rings which grew out of the old societies and established trade guilds soon became the principal distribution channels for the leading articles in the Malayan market.

Primarily the object of the ring was to obtain control of the most popular brands on the market, thus allowing its associates to impose the ring's terms of sale on the retail shops. This did not necessarily involve the manufacturers and importers, although the ring never lost a chance to strengthen its position with the former. What was most important to the manufacturer or importer was that the ring assumed responsibility for the accounts of a multitude of retailers and controlled price-cutting. For this service they were willing to grant the ring either the monopoly on a certain import or a discount not extended to competitors. The solidarity of the ring was characteristically Chinese. In every ring a few associates dominated, but business was conducted on a basis of mutual guild interests. While the government never recognized these rings, it did nothing to prevent their being organized, and probably could not have done so had it tried. The importers tolerated them because they neither wished to handle nor could so effectively solicit the bulk of small orders through which sales were effected in Malaya. Their main fears were lest the ring establish such a strong position that

it could go directly to the manufacturer for supplies, and use the boycott weapon in retaliation for any failure to grant the ring's credit terms. To the commission merchant who carried no stocks the ring was indispensable.

Nevertheless the latent threat represented by the ring devolved into a covert war between the big mercantile interests and the small Chinese traders, in which the administration entered—if at all—on the side of the former. But up to the Second World War neither the Chamber of Commerce nor the government were able to exercise effective control over this complicated organization of middlemen. Various measures were attempted, but they were always foiled by the solidarity of the Chinese. From time to time the Chamber tried to control credits in the bazaar, but no proposal was ever endorsed by all its members. As recently as 1940 the renewed agitation for some sort of control over "commercial morality" at Singapore, stimulated by the revelation of corruption in certain government departments, foundered on public apathy.

Of even longer standing were the administration's attempts to control partnership relations. Various efforts to break down the anonymity of Chinese business, behind which bankruptcy could and did flourish virtually unchecked, successively fizzled out. The failure of all these attempts derived from disagreement, less over the principle involved than over the practicability of the proposals in relation to the incidence of ordinary partnership law. It was never proposed to register all the innumerable small firms in the Straits, but the necessity for exempting certain categories of business increased the opportunities for fraud to such a point that it was feared the whole plan would collapse. Indirectly, it was the wartime control over the Chinese entrepôt trade that for the first time permitted the big European firms and the government to get the upper hand.

*Entrepôt Trade*

The recent history of the Straits' trade reflects the relative positions of Chinese and British merchants. The past decade stimulated the continued decline of Malaya's entrepôt trade involving exchange of archipelago produce and a growth in reexport trade of tin and rubber from the peninsula to Western markets. From the general viewpoint of Malaya's commerce and government revenues the internal adjustment was more than compensatory, but it spelled the rise of the European merchant at the expense of the Asiatic small trader—a trend greatly accentuated by the war. Over the past hundred years the entrepôt trade for which the Straits was originally founded shrank progressively in area but increased in value and volume.

The first serious loss which Singapore experienced a century ago was that of the China trade to Hong Kong. The decline of Penang and Malacca into local produce depots was caused by the rise of Singapore, which drained away their foreign trade, rather than by any substantial change in their nature. This was followed by the loss of the much less valuable Cochin-Chinese trade to France in 1859. Thereafter for a long period Singapore trafficked mainly with India and Great Britain, whence came cloth, manufactured articles, and opium, part of which was destined for reexport to Far Eastern ports. A small but increasing commerce with continental Europe and the United States began in the mid-nineteenth century. The Dutch were too slow in emulating Singapore's example of creating free ports to capture any large portion of the archipelago trade from the Straits, so that Singapore's exchanges with the Netherlands Indies remained until the war one of its most profitable enterprises. Trade with the Malay Peninsula was long hampered by the anarchy growing in the sultanates there, and it was to extend this potentially valuable commerce that Singapore agitated for the extension of British sovereignty to

the peninsula. But until the twentieth century brought a great development of the peninsular tin and rubber industries, Singapore relied wholly upon its foreign entrepôt trade.

Appropriately enough it was the Straits' ancient enemies, the Dutch, who caused the first great loss to this lucrative business. It was they who started the trend adopted progressively by other countries towards direct imports, thereby gradually eliminating the services of Singapore's middlemen. Instead of ordering manufactures from a Straits importer against the sale of Indies produce, they began shipping through bills of lading with only transshipment at Singapore. The First World War and the Rice Control Scheme which emerged at the end of it undermined still more the position of Straits ports as rice-distributing centers and focused the resentment of the small Asiatic traders against government control.

The depression strengthened the tendency of both European and Japanese exporters to ship directly to Eastern markets. Even the Federated Malay States, which continued to trade overwhelmingly through Straits ports, were simultaneously and increasingly using Port Swettenham for direct shipments. But the most shattering blow delivered to Straits trade during the depression came from the Netherlands Indies. The imposition of a quota system was followed by the establishment of Dutch processing industries for Indies rubber and tin ore which had formerly been sent to Singapore or Penang and thence reexported. The Netherlands Indies was struck harder by the world crisis than neighboring countries because of its dependence on export crops. So the Dutch reversed their open-door policy, gave preference to articles of Dutch origin, prohibited the import of foreign rice, and began to develop local industries which in time entailed a protective tariff. The upshot was that in the late 1930's only small exporters in the Netherlands Indies were still ordering through Singapore, and this valuable branch of the entrepôt trade was halved. Straits

traders were not unnaturally resentful and showed it when an agent of the Netherlands Indies government came to Singapore early in 1939 to promote the export of Indies products to Malaya. Why, they asked, should they facilitate development of such a one-way trade when aliens were subjected to all kinds of handicaps in doing business at Batavia? While presumably large quotas would continue to be assigned to Great Britain through barter negotiations, it was borne in on Straits traders that the prized freedom of their ports was actually becoming an obstacle in bargaining for reciprocal concessions wherewith to revive their entrepôt trade. In a world increasingly dominated by economic nationalism and exchange controls, the trend towards direct shipments and barter along political lines was growing stronger everywhere.

Nevertheless trade with the Indies continued to be immensely valuable to Singapore, until wartime controls checked commerce with all but sterling and gold-dollar countries. When two sets of regulations designed to conserve foreign exchange were published in November 1939, there was great consternation among Singapore's importers as to their impact upon the entrepôt trade, the overwhelming bulk of which was carried on with non-sterling countries—Hong Kong and the Indies. The first list enumerated "restricted" goods which could be bought from non-sterling countries through permits issued by the Controller of Imports. The general principle underlying the second list was that the articles designated thereon as prohibited could be imported from sterling countries. If unobtainable from these sources their loss was less vital to the prosecution of the war than the foreign exchange that would have been lost by purchasing them. Both types of articles were normally imported chiefly from non-sterling countries, and it was expected that the prohibited list would bear harder on traders than on the general public, while the reverse was true for the restricted items.

In order that the entrepôt trade should not suffer unduly

the government, acting upon a suggestion made by the Singapore Chinese Chamber of Commerce, launched a highly involved scheme in January 1940 which aimed to minimize the delay and inconvenience caused to Chinese barter-merchants, notably by the imposition of financial restriction. An important feature was the limitation of every transaction to \$5,000 so that the humblest trader might participate. As the scheme called for the registration not only of the names but of the transactions of about five hundred merchants, chinchews, and shipping companies, the government obtained more information than ever before regarding the entrepôt trade. But the Chinese merchants felt that in return for sacrificing the privacy of their business arrangements they had got no real alleviation of their main grievances—the ban on certain items imported from Hong Kong exclusively for the use of the local Chinese community. As the total value of the 236 items on the prohibited list represented only  $1\frac{1}{2}$  per cent of Malaya's total imports, valued at less than \$800,000 a year, the sum conserved in terms of foreign exchange hardly compensated for the losses and inconvenience involved in the dislocation of the entrepôt trade.

More serious even than the money losses to small traders was the monopoly which big business interests were thereby acquiring under the official aegis. All the money-changers were wiped out in favor of the Colony's six big banks, which arbitrarily decided to whom credit should be given. Quotas were introduced with apparent disregard for the agents who took orders for their principals, and goods were increasingly shipped direct to dealers. All commodities had price-control boards composed of the wealthiest importers, and prices were fixed by them with little relation to costs for the great majority of their colleagues. The small merchant would not have minded so much discussing his business with neutral government officials, but now he was forced to reveal all to his keenest competitors. Moreover, once the price and the quota had



been decided upon nothing could be done, even if an importer was subsequently able to find a cheaper source of supply in a country from which goods had heretofore never been imported. The public suffered in a heightened cost of living, and hundreds of small traders were forced to close shop. Their complaints usually ended with a mournful invocation of the spirit of Raffles, whose dream of a free Singapore was being reduced to that of a city-fortress whose only remaining economic activities were those connected with tin and rubber.

Although the original import quota basis was modified in May 1940, in accordance with the protests of local merchants, yet control remained and gave rise to an extensive contraband trade. The stricter penalties imposed—a monetary fine was added to the forfeiture of goods—failed to stop the clandestine arrangements made by local merchants for the shipment of restricted or prohibited goods from abroad. While many urged the government to be more firm and efficient in dealing with such evasions, others accused the wartime regulations of strangling the entrepôt trade for which such tender concern had been shown when the idea of an all-Malayan customs union had first been mooted. The only constructive possibility in conformity with official regulations was for Malaya to follow a bold policy of finding fresh markets—within the sterling bloc, of course—and also to foster new industries which might well become one of the happier by-products of the war. But for the war's duration the official controls of imports of necessary equipment and the shipping shortage made such a policy impractical.

In the summer of 1940 it looked as if relief might at last come to Singapore's dying entrepôt trade from a most unexpected quarter. Hitler's invasion of the Low Countries compelled the Netherlands Indies to become for all practical purposes a member of the sterling bloc. For a brief period trade came to a standstill, but on 14 June a monetary agreement was reached and commercial relations resumed. How-

ever, they were resumed on the previous wartime basis in spite of the Indies' adoption not only of Malaya's currency regulations but of her export and import restrictions as well. The long-standing and close economic ties between the two countries and their intimate if not always amicable association in tin and rubber cartels proved to be a handicap rather than a help to closer cooperation. Dutch traders vainly waited for a removal of the restrictions on their export trade to Malaya, or at least on such articles as could not be supplied by sterling countries. Analogous restrictions in regard to the Indies' trade with Burma, India, and Australia had almost immediately been abolished. Their longer retention in the case of Malaya was due to the peculiar traditions regulating financial settlements between Batavia and Singapore. Negotiations for their removal were going on throughout most of 1941, so that Singapore's small merchants were thwarted again in salvaging what remained of this valuable slice of the entrepôt trade. The only bright spot was the inclusion of Hong Kong in the sterling bloc in 1941; but this gain was offset by shipping difficulties and the Pacific war.

The evolution of the entrepôt trade with Thailand followed a different course, as it hinged mainly on Malaya's rice control policy, but it had the same fundamental consequence of squeezing out the small Chinese trader. In spite of the Thai government's goal of autarky and its development of the port of Bangkok specifically to emancipate Thailand's economy from continued dependence on the Straits Settlements, the war for two years mightily increased the already expanding trade between the two countries. By the beginning of 1941 Thailand's commerce with the Straits had risen over a six-year period from 18 per cent to over 25 per cent of the former country's total trade. Singapore, Hong Kong, and Penang together accounted for about 60 per cent of Thailand's total trade, not as consuming markets but as reexport centers. The Japanese occupation of Indo-China and the absorption of an

increasing share of Burma's rice by India compelled Malaya to buy from Thailand almost all of the rice wherewith to build up her food stocks. The other major exports of Thailand, tin and rubber, however, showed a reorientation towards Japanese markets as the war progressed, and the projects of building a rubber factory and tin smelter near Bangkok presaged the end of Thailand's dependence on Straits processing. In order to bolster Thai neutrality against Japanese pressure Malaya twice sold fuel oil to Thailand and permitted payment for it in Straits dollars. This was an isolated political gesture and, as it proved, a futile one, for the main item in the war exchanges between the two countries remained rice.

Because rice was the staple food of 99 per cent of Malaya's population, two-thirds of which had to be imported, the government's control of the price and stocks of that commodity was the most far-reaching of all its controls. Foodstuff laws encouraging the importation of rice preceded the war, and rice was the main food item purchased by the Malayan governments out of its prewar allocation of almost \$5,000,000 for the creation of emergency reserves. At first the state purchased unhusked paddy and not rice, because of the latter's greater perishability; but early in 1941 the discovery of a new method of preserving rice for two years by the admixture of lime enabled the government to effect a great saving in storage space, inasmuch as five tons of rice were the equivalent of eight tons of paddy. Unfortunately the saving thus effected did not further public health, as the preserved rice was of the polished variety, the habitual consumption of which is responsible for the widespread existence of beriberi in South-east Asia.

In August 1939 rice dealers in Singapore were required to obtain licenses and they were asked to supply monthly reports of their stocks and the quantities they sold. Measures taken in the Straits Settlements were reproduced later throughout the Malay States. For the first half of 1940 the rice trade con-

tinued to be normal and prices remained on the low side. Difficulties began with the collapse of France, after which prices began to rise and steps were taken to safeguard the stock position. Apart from government purchases of rice and paddy, rice pools were instituted throughout Malaya; and by the end of the year the government assumed control of locally milled rice. In the fall of 1940 there was a severe shortage in the rice imported from Thailand, which normally supplied Malaya with about two-thirds of her rice; but the government eventually overcame this by selling direct to dealers from its own stocks and by purchases from Burma and Indo-China. In the fall of 1940 the Food Controller assured the public that the government had on hand supplies sufficient for three months.

The rumored rice famine was attributable partly to the machinations of the dealers and partly to the consumer habits of Oriental purchasers. Prosperous Asiatics are given to buying rice by the bag, not only to save expense but as a matter of prestige, since only the poor run to the shop for an extra pound or two of rice if company is expected. Those buying rice by the bag did so from wholesalers, since retailers dealt only in small quantities. As part of his attempt to prevent hoarding, the Controller had required wholesalers to sell only to registered retailers. But the difference between the official wholesale and the retail price was twenty cents, exactly the cost of transporting a bag of rice from the wholesaler's to the retailer's shop; and the retailer, failing to make any profit on such transactions, refused to cooperate. The average householder in Malaya was bewildered. The government claimed that there was plenty of rice available; yet he could no longer buy from the wholesaler, who was forbidden by law to sell to him, or from the retailer, who no longer found it worth his while to do so.

The Controller tried to put a stop to this by making liable to prosecution retailers who refused to sell simply because it

was no longer profitable and wholesalers who demanded "tea money" (commissions) of retailers. After this effort the Controller took no further action, though it was becoming obvious that neither wholesalers nor retailers were wholly innocent of taking advantage of the public in the matter of getting around controlled prices. The price tension apparent in the fall of 1940 at Bangkok had sent prices soaring in the Rangoon market also, and both of these factors had made wholesale rice dealers in Malaya reluctant to sell in the hope that local prices would rise still higher.

The rice pool instituted in August 1940 was based on a plan drawn up the year before through the joint efforts of the government and the rice importers. To form the nucleus of this pool the government purchased considerable quantities of rice and stored them in godowns throughout the peninsula as well as in Singapore. All rice imported for consumption in Malaya had to be brought in through Singapore, and all retailers were required to carry a month's stock. Singapore's three thousand retailers could obtain permits from the Food Control Office to replenish their stocks. These permits were issued from Singapore's twenty-one chandu shops.

Simultaneously the government promised that the reexport of rice to the Netherlands Indies and Borneo would not be interfered with and would not have to pass through the pool. It was soothingly added that any hitches in the operation of this scheme would be adjusted in a few weeks, but Asiatic rice traders did not share this optimism. The racial issue came to the fore. Asiatic merchants regarded the pool as but another illustration of how a trade which they had built up out of small beginnings was being systematically taken from them just when it had become lucrative. The pool, they claimed, was giving a virtual monopoly to certain big interests, and rice was simply going the way of the majority of pools in Malaya, which invariably came under the control of Europeans. The rice trade had been built up mainly by

the Chinese and to a much lesser extent by a few Indians. Using the war as an excuse the government was taking over the distribution of rice and giving it to European vested interests. Small traders not only had to submit to such rulings but had to beg for supplies from the board now controlling the trade. The government replied to this criticism that no business undertaking had any interest whatsoever in the pool's operation, that stocks were government property, and that trade would continue to function in the normal way. Any licensed importer might use pool facilities, and any established importer could always obtain a free license.

The Chinese traders were not satisfied with these concessions inasmuch as they were less concerned about the tightening of government control over the Malayan rice trade than about its effect on the reexport trade. The experiences of the last war were recalled, and it was feared that government control would simply repeat for rice reexports to the Netherlands Indies the experience of the sugar trade in 1914-18. Because of the control then exercised buyers in Thailand and Indo-China had begun to purchase their sugar requirements direct from Java instead of through Singapore, with the result that the Straits capital now handled only a small percentage of what had formerly been a flourishing sugar business.

The next step in government control came in September, when all rice consumers were required to register in order to ascertain exactly how much rice was needed per capita. Though the value of having such information in an emergency was obvious the inconvenience it caused through the cumbersome of the machinery set up produced a new outcry from both the public and the dealers. Small provisioners claimed that they had not enough capital both for trading and for a month's reserve stock. As the majority of the public had incomes too small to permit their running up accounts they would undoubtedly register with a big firm whose supplies might not suddenly fail. Defenders of the system remarked

that it was thanks solely to government control that prices on nearly all foodstuffs had been fixed and that the public need not worry about supplies. The fact that since the outbreak of war no fewer than fifty-six gazette notifications dealing with rice prices had been published in the Straits Settlements alone showed what close watch the government was keeping on the situation. To set up machinery against an emergency was but elementary prudence.

On the first of January 1941 a new order established complete government control over all rice imports into the Straits Settlements. The Food Control Department set up its own shipping branch to deal with the huge quantity of rice purchased under government contracts. Thenceforth all rice dealers had to obtain special permits for each quantity of rice they wished to import, and control of such permits rested entirely with the Licensing Committee. Up to then rice importers had had to obtain licenses to import under the Rice Dealers Ordinance of 1940, but once granted they had been able to import when and whatever quantity they pleased. To ensure adequate supplies throughout 1941, the government made contracts with Thailand, Burma, and the Netherlands Indies for all Malaya's rice requirements, which amounted to about fifty thousand tons monthly. Private firms, however, would still be able to reexport to the Netherlands Indies, but the fact that the Indies was for the first time in its history selling a rice surplus augured ill for Singapore's rice reexporters, who felt that their trade was doomed in any case. The Straits government reiterated its pious hope that the normal channels of trade would not be unduly disturbed; it was not entering the business for profit and stated, as proof of the benefits which the public had received from its control, that through its efforts rice was being sold in Malaya at prices well below those prevailing in Rangoon and Bangkok. Rice prices were uniform throughout the Straits Settlements, and those in the Federated Malay States were only slightly higher.

At once a new wail went up from another injured section of the Singapore trading community. Faced with the possibility that their business in the local market might be completely cut off, Singapore's twelve to fourteen rice consignment agents made representations to the government. Their special status was the result of the different way in which Singapore's rice trade with Thailand was handled from that governing Rangoon and Indian rice. The bulk of Thailand's rice was sent to Singapore on consignment and sold at daily auction by commission agents instead of being supplied on direct firm orders. Consequently shipments of rice from Bangkok to Singapore varied according to ruling Singapore prices as compared with local Bangkok market prices, Hong Kong auction prices, and the prices offered for firm orders from the rest of the world. In their petition to the government Singapore's consignment agents paid lip service to the necessity for the new rulings but asked to be allowed to handle the distribution of government imports to wholesalers and retailers. The volume of business which these agents stood to lose was considerable, and the government's reply that they were still free to reexport rice without restriction was cold comfort, inasmuch as the Netherlands Indies, in 1941, had for the first time in its history a rice surplus for export.

The agents became more aggressive in their criticism: if the government had to enter trade at all it should compete and not monopolize. Aside from their personal grievance it was bad business. The Rangoon and Bangkok markets were always subject to sudden fluctuations, and government purchases of rice were made at specified rates. Thus the government would have to sell rice imported into Malaya at stipulated rates which might or might not be in keeping with the market. It was necessary for the government to buy as much as 666,000 tons annually, with the result that sellers could always profit by the situation to raise prices, and there was the probability that Rangoon and Bangkok might form a syndicate for this



unholy purpose. Keen competition among the Chinese rice importers, it was maintained, was the consumer's greatest safeguard. A minor criticism, but along the same lines, centered on the appointment of a single government buying agent in Rangoon on the ground that this was more expensive than using the normal channels of trade and the old established connections of Malaya's rice dealers.

Before the situation had a chance to work itself out, the Thai government took over the control of rice exports on a licensing system—a measure which was claimed to be a temporary safeguard against a pending shortage and high prices in the home market induced by the unusually heavy demands of foreign buyers. Singapore, even though it was the chief market for Thai rice, was not immediately affected as the Malayan Food Controller's contracts with the Thai government had already been placed. In May 1941 the Controller denounced as "absurd" rumors then circulating in the foreign press that Thai rice was unobtainable in Malaya: the only difficulty lay in getting the grade of rice Malaya wanted, and the Controller cited the fact that rice prices in Singapore remained lower than in Bangkok. Although rice stocks in Malaya had reached an exceptionally high level, rice prices nevertheless continued to rise and existence of a brisk smuggling trade in Thai rice, towards the end of that year, belied the Controller's claims.

The machinery set up for rice control was followed by the government in regard to other food commodities, and was usually introduced first into the Straits and Johore and later throughout the rest of the country. An order in March 1941 introduced a system for the eventual rationing, first to dealers and then to consumers, of essential foods like powdered milk, bacon and ham, dried vegetables, butter, meat, potatoes, and tea. It was calculated that this measure would affect eight thousand shops in Singapore alone. Complaints regarding the inelasticity of controlled prices for essential foodstuffs fol-

lowed the pattern set by the protesters against rice control. In the summer of 1941 the first steps were taken to establish a wheat pool in the Straits Settlement and Johore. As with the rice pool, the government monopoly included arrangements for distribution by compelling retailers to buy exclusively through the pool and to build up and maintain adequate reserve stocks.

The petition submitted by rice dealers to the government in July 1941 may be taken as generally illustrative of the grievances of small dealers in the Straits since the outbreak of war. Except for the reexport trade they were virtually eliminated from the market, not only by government action in monopolizing imports but on the distribution side by price undercutting both by wholesalers and by retailers. Months of inactivity finally forced these dealers to decide that they would compete with wholesalers and exporters who had been granted licenses as distributors by working on a smaller margin of profit. Matters were easier in the case of dealers who had more than one license, and to whom the sale of rice was merely a side line. Formerly wholesalers had had to buy their requirements from dealers, just as the retailers had had to buy from the wholesalers. But now the issue of distributors' licenses to certain wholesalers and retailers enabled them to buy direct from the government, which meant in effect that the dealers were virtually eliminated from the trade at both ends.

### *Import Trade*

The history of the import, as apart from the entrepôt, trade reveals the same accentuation by the war of trends already established. But these trends were the product of official controls although ultimately they also derived from world conditions. Imperial preferences and the system of quotas, directed against Japanese imports, were the forerunners of a canalization of Malaya's trade with sterling countries effected more completely by the Second World War.

Foodstuffs normally formed almost a third of the country's total imports, and the bulk of these came from neighboring countries. Raw materials and semimanufactured articles, also from near-by Asiatic sources, accounted for approximately another third, and consisted principally of rubber, tin, ore, copra, mineral oils, and jungle produce largely destined for reexport. The final third was made up of manufactured goods imported from the industrialized countries of Europe, the United States, and Japan—almost wholly textiles, steel and iron goods, machinery, electrical products, chemicals, and vehicles. Classifying the sources of these imports by nationality is wholly artificial since industrial and imperial considerations cross commodity demarcations; but they must be stressed because they became progressively the predominating consideration in Malaya's application of official controls.

Over the past decade the British Empire as a whole took second place in supplying Malaya with imports, until 1938, when it topped the list, furnishing over 36 per cent of the country's total. Burma and India together contributed a little over 6 per cent of the total, the former supplying rice, tin ore, and rubber while the latter sent sarongs and gunny sacks. Sarawak, in third place, furnished oil, rubber, some pepper, and copra. Australia sent to Malaya wheat, flour, milk, frozen and live meat; Hong Kong reexported Chinese and Japanese goods to Singapore; South Africa shipped coal, wines, and fruit; Canada, motor cars and tires. The position of the United Kingdom in fourth place, on the eve of the Second World War, was almost wholly due to artificial props. British imports in the Malayan import market had declined steadily since the First World War to the advantage successively of continental Europe, Japan, and India. In heavy machinery and other imports for wealthy customers where quality counted chiefly, Britain's exports maintained a genuine primacy, but such British goods as textiles for the Asiatic consumer could

never have held up at all without the quota system, imperial preference, the Sino-Japanese War, and buy-British patriotism.

In 1930 the severity of Japanese competition began to be felt in many import fields, but chiefly in textiles which had long been the main item sold in Malayan markets for local consumption and for reexport. The factors which had previously caused British exports to decline and competing exports from Central Europe to rise now operated to assure Japan's domination of this market: high production costs, heavy freight charges, delayed deliveries due to the cumbersome agency house machinery, a failure to study market demands and to offer credit on competitive terms, and finally a powerful new element, the depreciated yen. Not only was Japan pressing her advantage in the textile trade, established before the depression, but she was rapidly developing a big share in nearly sixty other articles and in the shipping business. European and Indian merchants found that, in order to stay in business at all, they had to get more and more articles from Japan which formerly came from Western countries. This clearly foreshadowed an eventual Japanese monopoly of the bazaar market, possibly a Japanese distributing organization, and eventually the forced restriction of Western goods to articles in which Japan could not or would not compete.

In 1934 a government-appointed commission toyed with several solutions—to none of which, however, did the free-trade Straits community give wholehearted support. The fact that it was willing to accept any control at all was attributable to the growing importance of peninsular reexports and to the decline in the entrepôt trade. After the government had failed to arrive at an amicable settlement with Japan, pressure from London compelled the use of the official majority in the Council to impose a quota system, on the pledge that it should not harm the reexport trade. Chinese merchants opposed this strenuously, saying that their interests were unjustly sacrificed

to those of Lancashire manufacturers, even if Britain had created the markets out of which she was being driven.

The quota system gave the British textile trade the necessary shot in the arm, but its effects were retarded because of the still sizable quota assigned to Japan, the existence of large stocks in the country, and the development of a large-scale smuggling trade. Not until 1935 did Japan's exports to Malaya decline; this trend was furthered by the Chinese boycott and the Sino-Japanese War.

Malaya's more gracious acquiescence in the policy of imperial preference was due to the greater pressure exercised by London on an issue which was primarily an empire rather than a local matter—one which involved no visible infringement of Malay state sovereignty. Both measures, however, represented a more radical theoretical departure for the free-trade Colony than for the Federated Malay States or even the Unfederated Malay States, where they simply increased the number of dutiable articles and degree of duties. Before the war of 1939 Straits commerce was oriented far more towards world markets than towards the British Empire, and patriotism was not a very cogent argument for a Colony whose population was overwhelmingly non-British, and whose economic and racial attachments were cosmopolitan rather than national. The handful of British merchants and officials in the Straits might be empire-minded, but both they and the far more numerous Chinese chose to express their gratitude for imperial protection by voluntary monetary contributions rather than by a drastic reorientation of the commerce which was their life's blood. So the Federated Malay States was the first to respond to London's call for reciprocal preference on empire trade, and its financial sacrifice in this respect was greater than that of the Colony, where it materialized largely in the form of amendments to existing duties. In imperial preference, Johore and Kedah came to occupy a position midway between the other two units. They elaborated their tariff schedules to

the empire's advantage to a lesser degree than the Federation, and they made a smaller ideological sacrifice than the Colony. While they agreed to a flouting of their sovereign status through tariff identification with the rest of the peninsula, it was mitigated by the fact that it was not formalized by a customs union. In this way the amount and effects of imperial preference varied widely throughout Malaya.

The net result of both imperial preference and the quota system was undoubtedly to raise the local cost of living, though it is difficult to disentangle their specific effects from those of world conditions and the Sino-Japanese War. In any case the return of prosperity to Malaya, the decline of Japan's economic menace, and the growth of the Japan-cum-Axis political threat, all combined in the late thirties to make both the British and the Chinese in Malaya more amenable to the buy-British policy. This was clearly shown in 1939, when public approval endorsed the award of certain municipal contracts to British concerns at a higher figure, and when the Straits government was censured for accepting the tender of a non-British firm to build its emergency rice godowns. Moreover, imperial preference brought to Malaya specific advantages. It was skillfully used by the British government as a bargaining weapon, in the Anglo-American Trade Agreement of 1939, so that Malaya benefited by a reduction of the rates on some of her exports to the United States in return for a decrease in the preferential duties favoring empire imports in the Malayan market. As was the case with the restriction schemes that controlled Malaya's tin and rubber, the international political aspect of imperial preference came to overshadow the local economic interests for which, specifically in the case of the textile quotas, they had been created. Nevertheless the better economic position of Malaya at the time was not clearly enough due to the quota and preference policy for Singapore merchants to be willing to accede to the increasing pressure from British manufacturers to revolutionize their ob-

solete free-trade principles and extend the system to include other goods. The Second World War, however, swiftly removed the whole question from the realm of academic discussion and forced the country's trade into channels wholly beyond the control of the local mercantile community.

The enormous prosperity that war trade brought to Malaya compensated the local big-business community, both European and Asiatic, for its increasing canalization towards empire and gold-dollar countries and for the growing severity of official controls. The reverse, however, was true for the small Chinese entrepôt trader and for the Asiatics engaged in copra and pineapple production and export.

### *Export Trade*

On the eve of the Second World War rubber and tin constituted over two-thirds of Straits exports. Shipments of copra and vegetable oils had been growing over the past decade, but low prices prevented their value from amounting to more than a small fraction of that of rubber. Mineral oils—wholly re-exports—held third place on Malaya's list, and Singapore was the main petroleum distributing center for the Far East. Reexports of manufactured goods were progressively restricted by the trend of their chief near-by markets, the Netherlands Indies and Thailand, to import directly, and in the case of the former by the imposition of quotas.

The United States has been overwhelmingly Malaya's best customer, buying normally two-thirds of her tin and rubber exports and furnishing less than 2 per cent of Malaya's total imports. The high-cost and quality of American goods—factors which caused the decline of British manufactured imports—militated even more decisively against American produce which benefited from no quota or patriotic preference. The depression decade underlined the close tie-up between America and Malaya in their economic fortunes, and the resentment against its consequences was felt in both countries. Malaya

resented the fact that her whole economy, which was dependent on tin and rubber sales, should be a prey to conditions wholly beyond her control. Even for her minor exports, like copra and vegetable oils, an internal American processing tax was disastrous to these local industries. Not only did a business recession in the United States bring a depression to Malaya, but there was the perennial fear that America might develop other sources of supply in order to ensure greater self-sufficiency in time of emergency, or in retaliation for Britain's failure to pay her war debts or for the high-price policy of the British-controlled rubber and tin cartels and the prohibitive export duty which Malaya had placed on unsmelted ore. While Malaya welcomed the specific advantage assured to her exports in the United States market as a result of the Anglo-American Agreement of 1939, she disliked having her tin and rubber used as political pawns. From the viewpoint of the United States the concessions made to her products in the Malayan market were not excessively generous, as they did nothing to alter the very lopsided trade between the two countries. The whole commercial relationship, involving Malaya's economic dependence on the United States and her political dependence on Great Britain, continually gave rise to delicate and vital points regarding the control of strategic raw materials and the consequences of economic nationalism generally.

During the depression decade the greater part of Malaya's exports to empire countries went to the nearest of these. Australia became one of her chief markets for mineral oils; India took areca nuts, sago flour, and some tin; Hong Kong occupied fourth place as a distributing center for the northern Far East; while the United Kingdom took less than 7 per cent of Malaya's tin and less than 9 per cent of her rubber, although it received the bulk of her pineapple and vegetable oil exports. On the eve of the Second World War only 10 per cent of Malaya's total exports went to the United Kingdom, as com-



pared with 58 per cent to the United States and over 8 per cent to British possessions.

Japan was a small market but one of increasing importance to Malaya during the prewar decade, notably for rubber and, to a lesser extent, for tin. Japan regularly took the whole of Malaya's iron, manganese, and bauxite exports and somewhat under half of her mineral oil reexports. France was Malaya's best customer in continental Europe, and her imports of Malaya's rubber and tin rose even during the depression years. Malaya's exports to Holland declined to less than a fifth of their pre-depression value, chiefly owing to the diversion of Indies' tin to the Arnhem smelter. The German market fluctuated, but in the middle thirties it took almost 30 per cent of Malaya's copra exports and a negligible percentage of her rubber.

### *Malaya's War Trade*

Malaya's gross trade for 1940 amounted to more than \$1,958,000,000, as against \$1,387,000,000 for 1939—an all-time high record which gave the country a favorable balance of almost \$300,000,000, or more than double that of the preceding year. The growth in Malaya's export trade was almost entirely due to increased shipments of tin and rubber and to the far higher prices paid for both commodities. On the debit side there was a marked falling off in pepper and pineapple exports, and the copra market was only slightly less afflicted. The fact that Malaya was able to maintain her volume of trade at such a generally high level in a year when no fewer than twenty-five countries went out of the market altogether was striking evidence of the elasticity of her commerce and a tribute to British shipping.

The general distribution of exports did not change radically. Shipments to the United States, the United Kingdom, and empire countries increased, in spite of Britain's inability to absorb all her colonies' produce, and in spite of the pre-

occupation of Australia, New Zealand, and Canada with their own defense programs. Some compensatory markets were developed in Spain, Portugal, East Africa, Mexico, Egypt, Thailand, and even Indo-China. The cutting off of continental Europe, the growth of wartime controls and shipping difficulties reduced Malaya's imports while her export trade remained intensely active.

The Secretary for the Colonies in a broadcast made in the first days of the war urged empire countries to mobilize their full agricultural and mineral resources as their most useful service to the cause, and he made specific reference to tin and rubber as the sinews of war. Until the events of May 1940 changed Britain's policy towards the colonial war effort, the government continued to stress Malaya's unspectacular but indispensable role as the maximum producer of tin and rubber and as the empire's chief dollar arsenal. This required Malaya to sell as much as possible to non-sterling countries and to buy as little as possible from them. At first the war was interpreted commercially as an intensification of the buy-British program; but in the summer of 1941 the program became, in short, to buy nothing that was not absolutely indispensable, whatever the country of origin.

The United States as Malaya's chief customer grew steadily during the war years and broke Malaya's trade records. At the end of 1939, exports to the United States, composed almost wholly of tin and rubber, amounted to 43 per cent of the export trade; in 1940, to over 52 per cent; and in the first six months of 1941 the United States established a new record by taking 63 per cent of Malaya's total exports. But now commercial exchanges between the two countries were no longer so one-sided, despite the import and exchange controls in Malaya. Not only did the value of American imports into Malaya increase over 107 per cent in 1940, but their character was radically changed. The greatest gains were registered by commodities formerly imported from other sources, and the chief

setbacks occurred in many American articles which had for years dominated the Malayan market, and which were not eliminated or curtailed through the use of substitutes imported from sterling countries.

Traditionally metals, machinery, textiles, chemicals, and petroleum constituted the bulk of United States exports to Malaya, but they formed less than 5 per cent of the country's total imports of such commodities. Malaya has never been an important textile market for the United States, and the war did not change this picture. Normally Malaya's textile demands rose with the prosperity of the tin and rubber industries. But the war, which raised the production of these two countries to unprecedented levels, was likewise responsible for curbing imports and consumer spending. In spite of the early war rush for staples, consumption was kept in line with the preceding years by official controls, higher prices, uncertain deliveries, the drain on local resources by war taxes and loans.

The United States registered gains in cement, iron and steel, and machinery items. Further, the elimination of Germany as a source of formic acid (used in the rubber industry) accelerated the import of chemicals from the United States as well as the use of substitutes. American sales, in spite of government policy, showed unprecedented increases simply because Malaya had to turn to the United States now that it was cut off from European markets. To limit this as far as possible, imports from non-sterling countries in 1941 were limited to 80 per cent of what had been imported in 1938. But the Malayan authorities progressively had to relax these restrictions in foodstuffs and in equipment indispensable to the mining industry and unobtainable in sterling countries. In fact they had to beg for supplies. Singapore, already afflicted with an acute housing shortage, was faced with the total stoppage of its building trade and even of the defense works under

construction. Two months before the outbreak of war in the Pacific, the head of Malaya's Department of Supplies had arranged to fly to Washington and speed the flow of essential materials and machinery to Malaya.

Although the Malayan government was imposing exchange controls and placing fifty items of normal American trade on the restricted list, and six items on the prohibited list, the country's merchants resented any countermeasures by the United States. The chairman of the Singapore Chamber of Commerce, in his annual review of trade in the spring of 1941, complained of the severe conditions which an increasing number of manufacturers and shippers in the United States were trying to impose on Malayan buyers. The latest demands, he claimed, delivered the buyer, bound hand and foot, to the seller. The buyer was required to put up irrevocable credits for an unlimited period and to pay against a manufacturer's certificate at some internal point in the United States without any certainty that he would get his goods within a reasonable time, or indeed at all. During and immediately after the last war American suppliers had imposed much the same conditions. So it behooved Malaya's merchants to band together and find some concerted means of effectual protest against measures "which allowing for all differences are nevertheless unreasonable."

A few voices were lifted, however, to emphasize the need for retaining American good-will by adopting a more liberal policy towards American manufacturers and importers, especially in view of the ultimate destination of a large percentage of United States purchases of Malaya's tin and rubber. But this consideration was generally conspicuous by its absence, since America had to build up its emergency stocks of tin and rubber at any price. As proof of this continuing necessity and of the interdependence of the two countries, despite reciprocal resentments, the United States Maritime Commission sent an

official to Singapore in the summer of 1941 to ensure and speed up the regular shipments of Malaya's raw materials to the United States.

### *Wartime Shipping*

The shipping situation became, as the war progressed, another cause of growing friction between the two countries. This partly derived from the intricate shipping set-up of the Straits ports as well as from specific war conditions. About the beginning of the twentieth century there had come into existence two bodies known as the Straits Homeward and Straits Pacific conferences, whose monopolistic proclivities caused endless turmoil in local mercantile circles for years.<sup>9</sup> Shippers complained that they were irretrievably bound to these conferences by a system of deferred rebates, that they had to pay excessive rates, and that they were unable to take advantage of any cheap tramp tonnage that might be handy. From almost half a century of struggle between shippers and the conferences, and more recently between the conferences and the Japanese, the conferences emerged stronger than ever—as was shown early in 1939 by their effective action against an American intruder, the North American Trading Corporation. Although theoretically it was still possible for shipping firms to send ships to Singapore without being members of either conference, this incident made it evident that the consequences of such an attempt would be neither pleasant nor profitable.

As soon as war broke out the Straits Homeward Conference announced a series of successive rises in freight rates amounting to 30 per cent, which it justified by the enhanced risks for shipping in wartime, and by the increased costs of ships, stores, and labor, as well as war-risk insurance rates. The firm stand immediately taken by Malayan shippers forced a partial cancellation of this percentage, but in March 1940 the Straits Pacific Conference increased its freight rates by a

further 25 per cent. This time indignation focused less on the rate rise than on the short notice given, which caused traders severe losses. Feeling ran high that a monopolistic body was able to take advantage of the current acute lack of tonnage and large accumulations of cargo to inflict injury on merchants whose contracts did not permit them to protect themselves. A second cause of resentment was the delayed concession granted to use non-conference vessels. During 1940 the conferences had produced a new form of agreement eliminating the deferred rebate system and providing for the payment of freight on a net cash basis, but not for shipments by non-conference vessels in the event of the conference being unable to provide sufficient space. The conference's interpretation of this agreement was characterized as "an invitation to the shipping lamb to lie down with the Conference lion without the former having prior information as to the latter's appetite." Eventually, and through insistent representations, shippers were tardily and temporarily released from this clause in their contracts, but too late in most cases for them to make alternative arrangements.

Contrary to the experience of 1914, the effect of the Second World War was not felt immediately by Pacific shipping—not until the invasion of Western Europe drove most of the ships of the conquered nations off the ocean. Britain began to withdraw more and more of her vessels from the Pacific for operation in the war zone, leaving to Japan and the United States a virtual monopoly of Pacific transport. Japan increased her services to Malaya and Southeast Asia generally; but because of military demands in China she was unable to fill all the gaps left by the withdrawal of rival tonnage. Many of the American ships which were removed from the war zone by neutrality legislation found employment in the Oriental trade, notably in the transport of Malaya's strategic materials to the United States. Yet the sale to Great Britain of much American tonnage prevented her, too, from replacing wholly the ship-

ping of the belligerent nations. So, by the end of 1940, Malaya along with the rest of the Orient was experiencing an acute shipping shortage, and the number of vessels using Singapore's wharves declined by more than three hundred from that in the year before.

Nevertheless, by 1941 American shipping services in the Pacific had almost doubled since the war began; and they continued to increase. Until the war of 1939, without an advance in transport methods Malaya's trade was reluctant to move across the Pacific, partly because of the heavy Panama Canal tolls and partly because of the comparative lack of cheap cable communications. Normally the great stream of trade from Malaya to America went by way of Suez and Gibraltar; and it continued to do so until Italy's entry into the war deflected it around South Africa. By the spring of 1941 the growing grip of the United States on the increasing shipments across the Pacific was viewed with alarm—notably in Singapore rubber circles, where it was feared that the placing of priority allocations from the United States might prejudice British dealers and the smaller merchants and producers. Both Malaya and London feared that if the United States should succeed in transferring the freight allocation center from Singapore to New York, United States importers would dominate the market not only during the war but afterward.

The American proposal to effect this transfer aroused Singapore to request the Ministry of Supply in London to restore at least one British vessel to the run from the Straits to New York so that Britain might retain a vote in the conference. Malaya's merchants, however, had little hope that London would acquiesce since it had been the Ministry's policy of transferring British and Allied ships from the Pacific to the Atlantic that had given to the United States a virtual monopoly of the Pacific Conference route.

*The Rubber Trade*

Malaya's rubber dealers were concerned not only with American encroachments on British shipping preserves but also with American encroachments on what had been, up to the war, the British-dominated rubber market. When the Anglo-American barter deal of 1939 was announced, the most important statement it contained, from the market viewpoint, was that purchases implementing it would be made through the normal trade channels. At that time the three major rubber markets of London, Singapore, and New York functioned largely as separate entities; and, because of the complexity of the situation, changes in one of these markets did not necessarily presage similar moves in either of the others.

In August 1940 it was announced that all buying for the United States Reserve Corporation would be done through the larger American manufacturing companies; and this proved to be the first step towards a progressive elimination of London's rubber dealers through direct purchases from producers. In January 1941 came the next moves. It was suggested, first, that the standard London rubber contract be revised to suit American consumers' demands and, secondly, that there be a fairer distribution—from the British viewpoint—of the dollar proceeds from the rubber shipped to New York from Malaya, Ceylon, and the Netherlands Indies. It was also rumored at the time that New York consumers were asking that all documents relating to rubber sold for shipment from the Orient to the United States be sent directly to the latter country. This was based on the numerous rejections of barter-deal rubber, allegedly because of its poor quality. The usual practice had been for such documents to be passed and paid for in London, and now it was feared that if this system were changed New York might become the world's rubber center, where all arbitration of trade disputes as to the delivery and quality of rubber would be settled. Mincing Lane felt that, rather than



risk losing its importance as the world's biggest entrepôt in the rubber trade, it would choose to suffer the temporary loss of turnover occasioned by the transfer of American business to Singapore, Colombo, and Batavia until after the war. As for dollar proceeds, London's rubber traders asked the British government to formulate some scheme that would ensure their more equitable distribution. The Netherlands Indies seemed likely to obtain more dollars under the Anglo-American Agreement than British interests felt they were entitled to receive; and so a central organization was advocated, to receive all currency obtained from American sources and divide it in the ratio of three to British possessions against one to Dutch territories, on the ground that money was spent in about that proportion on the defense of the Oriental rubber producing areas as a whole.

No sooner had the London rubber dealers formulated a plan to remove the menace arising from consumers' demands than they were even more seriously threatened by a new development on the home front. In April 1941 a Rubber Controller was appointed in London to regulate manufacturers' purchases in the United Kingdom in a way to prevent conflict with government policy and the price level. Thus the Minister of Supply, acting through the Rubber Controller, became the sole importer of rubber into the United Kingdom, although the market structure was retained and dealers were assured that the government would use it as the medium for both purchases and distribution. No reference was made at the time to price fixing, and the restriction machinery was to remain unaffected. Considerable significance was attached to Sir John Hay's suggestion that the flow of rubber to the United States from Malaya was impeded, and that, unless something drastic were done, official action might become necessary.

For several weeks it had been obvious that some form of control was bound to come, as prices were threatening to get out of hand as a result of operations by the fortunate few who

actually possessed physical stocks of rubber. Contrary to the general belief, however, outside speculation was not responsible for the price advance to over fourteen pence a pound. Since the rubber shortage in the United Kingdom and the possibility of a serious lack of shipping space to convey further supplies from Singapore were the sole causes of this advance, the war industries approached the Minister of Supply to obtain the supplies they required. At a time when so much depended on American good-will it was important that market fluctuations should not create the impression in the United States that the supply of strategic materials like tin and rubber was obtained at unjustifiably high prices. Moreover, with the passage of the Lease-Lend Bill the acquisition of dollar exchange lost some of its former importance. Perhaps after the war Great Britain would pay for lease-lend commodities in rubber and tin.

The underlying fear of the London rubber market was, as always, that world rubber control would be spirited away from Great Britain by the United States. When Washington took action similar to London's by centralizing all purchases for the United States in the Rubber Reserve Corporation, Mincing Lane dealers were pleased. Large reserves in government hands, they felt, would effect an orderly postwar liquidation: in the control of private concerns, on the other hand, these might be used later for market manipulation. Dealers in London were given a last-minute reprieve when the Ministry of Supply announced that it would pay a fee on all raw-rubber purchases through dealer members of the London Rubber Trade Association. This was taken to mean that the rubber market would survive but be placed in a straitjacket for the duration—a hope which received a mortal blow when war broke out in the Pacific.

In normal times the concentration of such enormous buying power in the hands of the governments of the United Kingdom and the United States would have produced the

greatest outcry in Malaya; but the fact that local rubber producers were unaffected by the mechanism of the London market control permitted them to applaud official policy as taken in the national interests. Not so the Singapore rubber market, to which it meant stagnation and a diversion of the Straits' rubber trade from its normal channels without any of the compensations enjoyed by the London market. None of the long-distance representations by the Singapore Rubber Association to Washington and Whitehall could convince them that the measures for the control of prices and operations found to be necessary in Britain and America—that is, the payment of service fees to importers in order to maintain the normal market structure—were just as essential for Singapore. An opening, however, was ultimately provided through an invitation to the Singapore rubber dealers to send a representative to confer with the Rubber Trade Association of New York. This group, with which the Reserve Corporation had agreed to share future trade in the proportion of 60 to 40, wanted a more satisfactory arrangement for obtaining rubber supplies in Singapore and also recognized that a deterioration in quality and trade standards might ensue if the Singapore rubber market were totally disrupted.

No sooner had the Singapore Rubber Association selected its delegate for New York than a big rift appeared on the home front. The Chinese Milling and Dealers Association, which resented being ignored by the British dealers, at once submitted a memorandum to the Colonial government stating a wide divergence of viewpoint. The Chinese expressed their willingness to support the current Anglo-American governmental cooperation regarding rubber because they realized that price control, while not desirable, was inevitable, and because they preferred that it should be jointly and officially imposed rather than dictated by either British or American private interests. Obviously the Chinese rubber millers and dealers feared that a "return to the normal market structure"

advocated by the Singapore Rubber Association would mean simply some sort of reorganization in which their interests would be further sacrificed to those of the bigger British concerns. As a matter of fact the prewar rubber market in Singapore had been a very shaky structure, consisting of a series of small dealers and brokers, who dealt with each lot of rubber individually, and of a few big dealers who were in a position to export, and through whose hands all the rubber shipped from the country ultimately had to pass.

The firm stand taken by the Chinese dealers, who threatened to send their own representative to New York, finally forced the Singapore Rubber Association to extend the olive branch to them. An agreement was reached in October 1941 by which individual spheres of influence were recognized, no new packing or exporting organizations were to be permitted, and all sections of the collecting and distributing trade were to be fully represented on any governing body that might be set up. The whole episode was indicative less of the old cleavage between the small Asiatic dealers and the big British brokers, which was being widened in every field by the war, than of a nascent Malayan viewpoint which recognized an interracial, local solidarity of interests when, and only when, they were threatened by outside groups. The fear that the United States would acquire a control over the rubber industry that would outlive the war caused the traditional antagonisms between the resident races and between Malayan and London interests to be dropped—or at least forgotten until the mutual danger should be over.

### *The Tin Trade*

Many of the forces that affected rubber operated likewise to transform the tin trade, also important in American-Malayan commerce. But the existence in the Straits of the world's largest smelters, and the officially supported monopoly which they had long enjoyed, gave them control over the producers; and

proximity multiplied the occasions for friction. Further, London's tin market dealt preferably in non-Malayan ores. All-out production eliminated the restriction scheme, in fact if not in name, during the war, and also the uncertainty of consumers' demands, so that Malaya's tin miners focused their resentment on the tightened grip which the war gave to the smelting concerns not only over producers but over the market as well. In the months just preceding the outbreak of war in the Pacific the battle over abolishing the prohibitive duty placed on unsmelted tin ore exported from Malaya shifted ground from the Straits to London. Malaya's smelting ordinances, introduced in 1903 to quash the threat to their position by a move to create a smelting industry in the United States, had given to the Straits Trading Company and to the equally British but less important Eastern Smelting Company a virtual monopoly of the region's output. A second American attempt to break this monopoly during the First World War ended with the cessation of hostilities. The Dutch made a successful breach in 1934 by erecting their own smelter in Holland, which diverted Indies ore away from the Straits and evoked another local Malayan ordinance to bolster the Straits smelters' position by imposing a duty on all ore exported to smelters outside the British Empire. While this duty was never paid, its existence on the statute books was effective in preventing any export from Malaya of unsmelted ores. Another factor working to the advantage of Malaya's smelters was the exceptionally high quality of Straits tin. One of the reasons why American consumers have agitated against restriction is the premiums exacted and the scarcity of supplies of Straits tin ever since the control scheme was put into force.

The immense dislocation of the smelting industry which occurred as a result of the war brought an enormous increase in business to Malaya's smelters. The closing of the Dutch smelter (in Holland), as a result of Hitler's conquests, in addition to the great growth in local production effected by a

tripling of Malaya's export quotas, gave to Straits smelters 80 to 85 per cent of the world's tin ores as compared with 64 per cent in the prewar years. Because of their great reserve capacity they were able, without apparent effort, not only to digest every ton of it but, by coming to an agreement between themselves, to get away with a 60 per cent increase in smelting charges. The smelters' excuses were that production costs had risen by 30 per cent, and that they now had to recoup losses sustained during previous years when keen competition between them and Malaya's low quotas had forced them to produce at an uneconomic level. These claims were regarded as unjustifiable by Malaya's tin producers, especially in view of the already outstanding prosperity of the Straits Trading Company in particular.

The producers' protests were ineffectual until 1941, when protests also began to come from the Straits tin dealers, whose market activities were increasingly curtailed by the smelting company's success in short-circuiting their activities with direct sales to consumers. An embarrassing publicity was given to this situation by the negotiations between officials, bankers, and smelters, in the early months of 1941, to evolve some means of financing the tin industry in the event of a war blockade. Before the war, when ore was bought by the smelter, the producer usually received an advance of money equivalent to about 80 per cent of its value. Against these deliveries of ore, the smelters sold to merchants on the same day an equivalent quantity of tin metal for delivery within two months. In practice, the metal was ready for delivery much earlier, and when it became available for shipment the smelter issued a warrant for delivery to the merchant. The latter was then requested to pay the smelter the entire amount due for the purchase. When shipments were made bills of lading were negotiated through a bank and the merchant obtained his money or, alternatively in the case of some of the biggest American customers, a remittance to the merchant was made

as soon as he advised the customer that the metal was ready for delivery.

This method of conducting the tin business in Malaya had worked reasonably well under peacetime conditions. But the possibility of a blockade gave rise to reconsideration of this custom. Ships loaded with tin might be held up in Malayan waters for months, and bills of lading might not be available until after sailing. Smelters began to be concerned about obtaining their money from merchants, and their desire to be safeguarded was the first cause of these discussions. For a small charge Singapore banks volunteered to give the smelters assurance that, in the event of an emergency, their respective customers would take up the contracts for tin sales if the merchants found themselves unable to do so. Since by far the greater part of Malaya's tin was sold by the smelters to reputable business houses, which had large interests apart from tin, it was thought most improbable that they would be unable to take up these contracts. Small merchants, of course, were not so happily placed, as was shortly revealed by the action taken by the Eastern Smelting Company at Penang. For some time that company had been declining to sell tin to most of its regular customers through the normal market channels, claiming that it was not satisfied with the assurance of payment offered by the banks after consultation with the government.

The situation resolved itself into an acrimonious argument in which the banks announced that they alone had the right to determine the firms or individuals on whose behalf they would assume obligations. The company, in turn, was equally firm in refusing to be told by the banks to whom it could sell tin. But the fact soon emerged that the Penang smelter was discriminating between customers by selling apparently to only two merchants, thus forcing its other regular customers to make bids to the competing smelter. So instead of selling to local merchants this subsidiary of Consolidated Smelters was

selling direct to London and New York—a development which local merchants in the Straits Chamber of Commerce felt should no longer be ignored. But as usual the government would take no action, saying that delays in deliveries up to date had not been important enough to justify official interference. The already involved situation was further complicated by the fact that the manager of the Penang smelter was the nominee of local commercial interests on the Legislative Council, so that the very person to whom merchants normally looked for protection of their interests was responsible for a policy which threatened to undermine the whole local tin market.

The publicity to which these negotiations unexpectedly gave rise threatened to break up a profitable racket for the very companies that had initiated them. But once again nothing came of this opposition, for the smelters were the dictators of the Malaya tin world and were too strong for the miners and the merchants. When some companies which were operating also in Thailand tried to find other buyers for their ore than the Malaya smelters, the government refused permission on the ground that the ore might find its way to Japan. The inconsistency of simultaneously permitting the steady shipment of Malayan iron ore to that country was ignored.

The real threat to the smelters' position came not from within Malaya but from the United States, where the construction of a plant for the smelting of Bolivian ores under Dutch management grew into an ever blacker cloud on their happy monopoly horizon. At first it was believed that this competitor, like its predecessor, would have only a wartime span of life, for Malaya still counted on her advantage as the world's cheapest producer. But, on the announcement of a smelter to be erected in Bolivia, Malaya smelters could not but view with growing alarm the tendency to erect more and more smelters outside the British Empire. If tin mined and smelted in the Western Hemisphere were eventually to dis-



place the Straits metal in the American market, compensation was unlikely to be achieved by substituting Malayan output for the Bolivian ores usually smelted in Britain and now diverted to the American market. The fact that during the war practically all of Malaya's tin was being shipped to the United States, and that none at all had arrived in Great Britain for more than a year, made London's control over the tin market there of less concern to Malaya than that over the rubber industry. Further, the London tin market was in the anomalous position of still being free to import (subject to official allocation of freight space) but unable to export. Whether it would or not, the London Metal Exchange had to finance the British government's policy of expanding tin stocks held in the United Kingdom as the price of survival. While the authorities desired to maintain the existing structure, since it would be required to deal with the anticipated expansion of the European demand when peace came, the Ministry of Supply cooperated in practice with the United States government to effect a virtual control of world tin exports and prices.

The threat raised by the American smelter projects brought the London authorities, for the first time during the war, into the struggle between the Straits smelters and the local producers and merchants, when the former enlisted home support to crush the producers' agitation for abolition of the duty on unsmelted ore exported to countries outside the British Empire. Malaya's miners found themselves at a complete disadvantage vis-à-vis their competitors, who had no analogous restriction against exporting their ores to the Western Hemisphere smelters. This impediment, in conjunction with the smelters' threat to cease buying ore if shipping difficulties became serious, meant that stocks would pile up at the mines, and that when the cargo situation eased there would be no metal ready to ship. But the representations they made to both the local and home governments were vain. The British smelting interests, whose interests were identical with the Malayan,

vetoed removal of the duty on the ground that the American smelter could not begin operations for another six months and the problem was not urgent. If the duty were ever to be abolished, it would have to be made conditional on a pledge by the United States government not to impose a protective tariff on refined tin.

The smelters were able to oppose effectively another effort of the tin producers to extricate themselves. Under the latter's suggestion of custom-smelting, the ore would still be bought by the smelters but for a fixed fee, and the metal would remain the property of the producers. So far as their financial ability permitted, the miners could accumulate stocks of metal which would be ready for shipment when the occasion arose, and the smelters likewise could remain in operation. This system of custom-smelting had long prevailed between Dutch tin producers and Malaya smelters, but the latter refused to do the same for local miners because they had no option but to sell to them. The government not only supported the smelters' monopoly but failed to promise financial aid to Malaya producers in the event of the smelters' refusal to buy their ore, in spite of the fact that that would mean that only the bigger producers could thus remain in business and most of the Chinese miners would have to close down and dismiss the forty-seven thousand or more coolies in their employ. As matters stood in Malaya when war broke out in the Pacific, the tin producers played no part in establishing prices, in the allocation of available supplies, and had no responsibility in the marketing of tin. In general American consumers have not appreciated the helpless position of the tin producers in Malaya and have held them more responsible than they actually were for the smelters' high-handed ways and for the cartel's high-price policy.

In the tin, rubber, and shipping situations, particularly as they developed during the war, the government maintained a mere spectator attitude; and its inaction played into the

hands of big business, at the expense not only of the Asiatic small producer and trader but of the American consumer.

### *Trade with Japan*

Britain's freezing of Japanese assets in Malaya marked something of a departure in government policy, but at the same time it was also the culmination of an economic process which had been going on seven years. Until July 1941 the authorities had, for the most part, been content to let circumstances and wartime controls take a course that was propitious to their interests rather than to pursue a definitely anti-Japanese policy which might provoke retaliatory measures and also run counter to the free-trade traditions of the Straits. In fact, so outwardly obliging was the government in relaxing restrictions on mining and rubber exports to the Japanese over the past year and a half, that the administration was periodically denounced for appeasing Japan.

Aside from the importance of Japan's shipping interests in the Malaya trade the main Japanese stake in the country was in mining industries other than tin and to a much smaller extent in rubber. The output from Malaya iron mines was of great importance to the Japanese steel industry. One of the Japanese-owned mines in Trengganu was also an important producer of manganese, albeit of an inferior quality, to an average export during the 1934-38 period of about thirty thousand tons annually. The existence of bauxite in Malaya, chiefly in Johore, has been known only in recent years and almost all of these deposits were discovered and worked by the Japanese. From an initial export of 36 tons in 1936 they rose to 66,700 tons in 1939, valued at \$433,500. As was the case with iron, this ore was exported in its crude state to Japan where it was smelted.

Although there was some agitation in both London and Malaya regarding the government's failure to restrict the export of these vital minerals to Japan, local action before the

freezing order was surprisingly mild. The reasons for this abstention were twofold: the export duty on these ores was vital to the revenues of such poor states as Kelantan, Trengganu (this was not true of wealthy Johore), and British capital had never shown any interest in starting dubiously profitable smelting industries for metals other than tin. In 1937 the Federal government prohibited the export of scrap iron to any destination other than the Straits Settlement. Agitation for a similar embargo to be declared by the Colonial government finally led to a belated announcement in July 1941, by the newly appointed Controller of Salvage Collection, that such exports were no longer permitted to countries outside the British Empire. But not even the freezing order stopped all iron ore shipments to Japan. These did not wholly cease until the mines closed down in October.

Japan's rubber interests in Malaya never attained first-class importance. In the years before the war thirty-six Japanese companies owned over fifty-seven thousand acres, of which about thirty thousand were located in Johore, out of a total of over three million acres under rubber in the country. So insignificant were Japanese rubber interests in Malaya that they were little used as a source of supply for the mother country, rubber sales serving almost wholly to defray estate expenses; and this fact, coupled with their location along the Straits of Malacca, occasionally caused some concern to the Malaya governments. On one occasion the government even compelled the Japanese to relinquish control of a peculiarly strategic property; but no such drastic policy was consistently followed. Although Japanese purchases of Malaya's rubber and tin increased heavily after the outbreak of the European war they amounted to only about 6 per cent of total sales, since the Japanese preferred to buy in the Netherlands Indies where it was easier to get export licenses. So little did Japan purchase in Malaya that the Malayan government in January 1940 relaxed controls specifically in regard to rubber

exports to Japan and no longer required any guarantee against their probable reexport to Axis countries, in spite of the fact that at the time Japan's total tin and rubber purchases were vastly in excess of their own manufacturers' requirements and paid for at higher than the current market prices. Curiously enough this liberal attitude provoked a decline in Japanese rubber purchases from Malaya, so that in the first six months of 1941 Japan's share of Malaya's total exports shrank to slightly over 2 per cent of that commodity. So when the freezing order came its effects passed unnoticed on the Singapore rubber market.

Japan's role in Malaya's fish trade was another illustration of governmental inaction. In Singapore and Johore the fishing industry was mainly in Japanese hands. Japanese fishermen, using methods far superior to those of their Chinese and Malay competitors, regularly supplied about half of the catch of fresh fish sold in Singapore, and at least 30 per cent of those supplies also came from a foreign source—the nearby Riouw archipelago in the Indies. The Japanese operated about fifty power boats, and in the years preceding the war licenses were regularly issued to an increasing number. Yet the fifteen hundred Japanese fishermen who composed a large proportion of the four thousand Japanese domiciled in the Straits capital in 1939, were fewer than in the preceding years. Following the Chinese boycott of Japanese fish in 1937–38 an increasing number of local-born fishermen were encouraged by the government to compete with the Japanese by emulating their methods. At the same time the strike of Chinese coolies at the Japanese mines in Trengganu caused the transfer of some three hundred Japanese fishermen from Singapore to be trained as miners there. Since circumstances again seemed to have resolved this situation, without necessitating government intervention, inaction was again the “policy” after the freezing order of July 1941 when Japanese fishermen were still permitted to operate in Malayan waters.

Even in the matter of imposing quotas to restrict the quantity of Japanese textiles sold in Malayan markets and Japanese tonnage used in their transport, the unique instances of direct anti-Japanese governmental action, the government was so delighted that outside factors like the Chinese boycott and the Sino-Japanese War were cooperating to effect a drastic decline in Japan's trade with Malaya that early in 1939 and again in 1941 they somewhat let down the bars in respect to Japanese textile imports. The Nippon Yusen Kaisha was also given facilities early in 1941 to eliminate red tape in Singapore wharves. The wisdom of the move seemed to be proved by the fact that these conciliatory gestures to Japan in no way increased her trade with Malaya, which remained fairly stationary. Imports from Japan were valued at about \$12,000,000, and exports at over \$64,000,000—an improvement over the prewar years caused more by higher prices than by an increase in the volume of trade. The war accentuated the trend towards declining exports from Japan and increasing exports to that country from Malaya, notably petroleum reexports and mining shipments.

The freezing order, characteristically, was not immediately wholly effective, and in any case did not greatly alter the situation, since trade between the two countries had been virtually at a standstill for some months. The major stream of Malaya's exports had been, since the beginning of the war, canalized in the direction of the United States and empire countries by the device of official controls. The British had succeeded, whether by astuteness or by good luck, in sensationally reducing Japan's trade with Malaya without resorting to specifically anti-Japanese measures until the freezing order of July 1941 which largely crystallized an existing situation.

### *The Trade with the Sterling Bloc*

**Great Britain.** During the initial period of inactive warfare, merchants in both Malaya and Great Britain strove to stimu-

late the buy-British policy through war-engendered patriotism. Malaya's restrictions on goods imported from non-sterling countries and Japan's preoccupation with the China War offered great opportunities for expansion in a market more eager to buy from the home country than ever before. Not only were materials and machinery for tin mines and public works in constant demand, but a new and larger market was offered by the armed forces in Singapore. In 1939 the United Kingdom had shipped manufactured goods to Malaya worth \$12,000,000, but this did not come to a third of the total value of that class of imports. So in June 1940 an expert of the British Cotton Board came to Singapore to see how the Malayan market might be won back for Britain. At that time a few skeptics raised their voices in Malaya to question this policy. Were people who bought British articles really making a contribution to the war or simply helping to strengthen the United Kingdom's position as leading nation among Malaya's suppliers?

When the war took a serious turn in Europe, a change occurred in official policy. To conserve essential provisions, a quota system was applied to food exports from the United Kingdom. The next blow came from the same quarter but in the reverse direction: the Ministry of Supply in March 1940 refused to buy Malaya's pineapples, thus cutting off that important Malayan industry from its biggest market. When the shipping shortage was becoming acute it became clear to Malaya that it was useless to persist in the policy of increasing Britain's export trade at the risk of losing British ships and sailors. Imports from Great Britain were largely of non-essential goods, and the cargo space, not to mention the energies of British manufacturers and laborers, could be better utilized in producing indispensable war commodities and merchandise that would build up the dollar arsenal.

The new British policy, as announced by Lord Lloyd in the summer of 1940, was for the colonies to concentrate on

self-sufficiency and self-defense. The Eastern Group bloc, created at Delhi the following October, carried this a step further and bound empire countries east of Suez to mutual aid in achieving regional strength through the pooling of their resources and the coordination of their production. In July 1941, at the time that a new list of "unessential" imports from sterling countries was forbidden entry into Malaya, local policy on the confused issue of whether or not to buy British was at least unequivocally stated: both Britain and Malaya were to concentrate on selling to non-sterling countries and to practice the strictest economy by never buying imported goods which they could do without. In this instance "policy" was but one jump ahead of reality.

*India.* This change in imperial policy, coupled with the shipping shortage, served to stimulate trade with the Eastern Group countries, notably the already increasing commerce with India. Ever since the Sino-Japanese War started, the Malayan market had been absorbing ever larger quantities of Indian piece goods, and this became almost a monopoly when the European war placed difficulties in the way of prompt deliveries from Lancashire mills. Other Indian exports to Malaya—particularly jute products—were also expanding. Malayan shipments to India were likewise increasing. The price of sago flour, one of the main exports, and one handled exclusively by Indian merchants, rose by 400 per cent. Good business was also done in other Malayan commodities sold in the Indian market—betel nuts, pepper, spices, rattans, and tin; although the margin of profit on these items was small, the turnover was steady. The balance of this trade was favorable to Malaya in a total commercial exchange valued at over \$55,000,000 in 1940—an increase of about 60 per cent over the two previous years. So lively did Indo-Malayan trade become during the war that the Indian Overseas Bank opened two new branches in the country in 1941; an Indian shipping line was considering starting a new service between Madras



and Straits ports; and the government of India toyed with the idea of appointing a Trade Commissioner to increase the export thither of those Indian manufactures which were fast becoming rarities in Malaya.

*South Africa.* Because the First World War had given South African industries such a phenomenal impetus, it was hoped that the war of 1939 would be equally obliging. In particular it was hoped that trade with Malaya would be intensified. In the depression decade coal, tinned provisions, spirits, and fresh fruits were the chief exports to Malaya, but in the years just before the war other lines of manufacture and foodstuffs were being developed and rightly judged to be capable of further expansion in Malayan markets. But the total value of Malaya's imports from South Africa, in the last year of peace, amounted only to somewhat under \$2,000,000 out of an aggregate of over \$100,000,000 from all British countries. South Africa hoped to profit by the freedom of the Indian Ocean from mines and submarines and by its adherence to the sterling bloc to stimulate this exchange. So its government determined in March 1940 to shift the headquarters for its Eastern trade from Batavia to Singapore by establishing a Trade Commissioner in the Straits capital. While trade between the two countries increased during the war it was not on the same sensational scale as Indo-Malayan exchange.

*Australia.* A jump in Malaya's exports to Australia was registered soon after the outbreak of war, making the trade between these two countries rise to unprecedented levels in 1939. Of Australia's exports to Malaya, valued that year at almost \$21,000,000, about three-fourths was iron and steel products, the remaining quarter being foodstuffs. In return Malaya exported a medley of products—rubber, tin, timber, spices, and vegetable oils. The growth in this trade was expected to justify the appointment of an Australian Trade Commissioner at Singapore; but in 1940 and even more in 1941 the increasing preoccupation of New Zealand and

Australia with their own defense requirements and shipping shortage cut down their exchanges with Malaya. Patriotism and wartime controls to the contrary, Malaya was having to buy such products as she could get from her best customer, the United States.

The astonishing profits to Malaya from her tin and rubber export trade were naturally received with local gratification; but a sobering note was voiced by the chairmen of both the Singapore and the Penang Chambers of Commerce. Malaya was cautioned that her war commerce did not represent a steady and healthy expansion of trade throughout the world, and that before long there would probably occur a big setback in the demand for the country's chief products, to be followed by unemployment and enforced economies. No one seemed to notice that big business was the chief beneficiary from the country's wartime prosperity; that the small trader and the importer were suffering in about the reverse proportions; and that the copra and pineapple industries were moribund.

These Cassandra-like warnings, however, contained a novel feature in their appeal to the government to devise some method of protection against the severe fall in prices expected after the war. Since the government had imposed controls and restrictions that were preventing merchants from accumulating buffer reserves and from exercising "their habitual farsighted and independent judgment," the administration would have to take responsibility in the postwar depression for their survival. The assumption of government control in wartime was going to be succeeded by increased intervention in times of peace—at the express wish of one of the most powerful groups of free-trade addicts in the world. For the first time in their history they acknowledged their probable inability to cope unaided with the complexities of the postwar world.

# XI

## MILITARY HISTORY

THE HISTORY OF Singapore as a military stronghold reveals no consistent policy. The money lavished upon its fortifications in the early years realized such inadequate protection and amounted to such a vast sum that in 1867, when the Settlements were transferred from the Government of India to the Crown, the mercantile community pronounced them highly unsatisfactory. In 1863 military expenditures swallowed up nearly half of the revenues. Petitions were signed to the effect that the defense far exceeded local requirements, and the use of the chronically sick Madrassi troops was deprecated in favor of a locally raised corps. The real need was for greater protection against the piracy then rampant in Malayan waters.

Much discussion of Singapore's defenses followed the transfer, with the result that the Straits were made an independent military command in 1889. The Singapore forts were transferred to the islands south of New Harbor so as to check enemy access to the docks and coal yards, and for the first time were manned with heavy guns. The institution of a volunteer force in Singapore antedated by several years a similar move in the United Kingdom, motivated by the Chinese riots of the 1850's. The Volunteer Rifle Corps of about six Europeans was succeeded by the Volunteer Artillery, formed in 1888. After the outbreak of the South African War—when the British battalion of the Straits' regular garrison was withdrawn and replaced by Indian troops—the Volunteer Corps, both European and Chinese, were revived. But as ever the strength of such units ebbed and flowed with the withdrawal or reinforcement of the regular army forces in Malaya. In

1909 the Eurasian company in the Volunteers was disbanded—an action which became an issue with that community during both world wars. Its place was taken by a newly formed Malay infantry regiment. The First World War brought a recrudescence of volunteers, who received their baptism of fire during the 1915 mutiny of Singapore's Indian garrison. It was fondly hoped that the necessity for arms training in local defense by all European residents had been learned.

The history of Singapore from 1914 to 1918 was largely a progressive restriction of commerce by legislation. The Indian garrison's mutiny and a few seriocomic disturbances in Kelantan were the only military events. The most remarkable military feature of the mutiny was the way in which a trained Indian regiment in the midst of a panic-stricken populace broke before the attack of a half-trained force. A commission was subsequently appointed to inquire into the causes of the mutiny, but its findings were never disclosed. Speculation linked the synchronous trial of a prominent Indian merchant for high treason with the unknown instigators of the revolt. A court-martial was established which passed sentences of death on forty-one of the mutineers and milder penalties on one hundred and twenty-five others in reparation for the thirty-seven British killed during the uprising. The executions, which were badly bungled by the Territorials' firing squad, were witnessed by a large and stolidly indifferent crowd.

Official notice was taken of the unrest at Kota Bharu after a meeting held there between the not over-Anglophile sultans of Trengganu and Kelantan. The railroad was torn up, night meetings were held which included feasts on stolen cattle; rumors were rife of an impending revolt to be led by a distant relative of Kelantan's sultan who proclaimed himself to be conveniently protected by Allah. At the sultan's request the British Adviser sent for aid and promptly announced that a warship was on its way. The news had such a calming effect on the population that the order was countermanded; but as

soon as the countermand became known disturbances broke out anew. Bungalows were burned, the police station was sacked, and plantations destroyed. Singapore was again asked for help. In a week's time an ancient gunboat and a transport appeared off Kota Bharu and managed to emit a few shells and several hundred troops. Everyone fled, friend and foe alike, while the sultan locked himself up in his palace guarded by six Tommies and a motley bodyguard of Malays armed with spears, krises, and old rifles. As the disturbances continued, Singapore determined to follow the matter through, with the result that the leader of the revolt was killed and his army dispersed.

Singapore was completely surprised by the outbreak of the First World War and at first refused to believe that the empire would be involved. How far German trading interests in the East would be affected was the subject of much discussion, especially after the seizure of enemy ships in Singapore harbor and the internment of enemy aliens. There followed a frantic rush for food supplies which seriously threatened the market, but the government soon broke the rising prices by regulating the trade in rice, milk, flour, and fish. All exports were stopped, and for the first time in Singapore's history the tin market was suspended. All credit ceased, and the immigration of Chinese and Indian labor was prohibited.

Local shipping, however, was soon resumed. As the closure of the tin market threatened to have serious effects the government undertook to buy all tin at a fixed price. After a further promise to repatriate immediately all surplus labor the situation calmed down. Overseas shipping was also resumed, and after the *Emden* raids Malaya's exports became of such importance to the empire's war effort that transport facilities were provided for them. With the exception of the copra and pineapple industries, local interests prospered, "but as the pineapple industry was completely in Chinese hands and no European capital was involved, the matter attracted little attention."

Singapore's interest in the war was predominantly financial, mainly involving the requisitioning of all local British tonnage. However, this took effect only from May 1918. A fixed amount of tonnage at reduced rates was placed at Singapore's disposal; this proved to be a gold mine for those exporters of tin and rubber fortunate enough to secure space on the controlled ships. In the same year, rubber imports into the United States were drastically reduced and rubber prices fell below production cost. Just as the government was trying to decide whether or not it should come to the stricken industry's aid, the armistice was declared and the rubber situation thereby saved.

The war history of tin was more complex. Demand for this metal naturally forced up the price but also unnaturally produced a shortage of supplies both in Singapore and in Batavia. In July the government prohibited all buying of tin except under license. As this had no apparent effect on either the rising price or the increasing shortage of ore, the government went further and confined buying to a single authorized purchaser. In this way a fall in the price of tin preceded the declaration of the armistice, which caught producers bringing extra supplies on the markets and using every means to accelerate output before the prices went still lower.

In May 1917 the abnormally high cost of living had brought into existence a Food Control Committee. This body did little more than print maximum retail prices for various foodstuffs in the official gazette. Even reports of the most shamefaced profiteering did not stir it into further action. Though many were thriving on wartime profits, and though Singapore suffered no essential food shortage, yet there was a good deal of unobtrusive and unrelieved poverty in the slum districts. The rice shortage, which was felt acutely all over southeast Asia in 1919-21, was ignored by the government until, too late, it established a rice control regime. That control lingers to this day as a terrible memory among the Asiatic communities of Malaya, and it also proved to be an enormous drain on

the country's revenues. Further wartime legislation included a mild attempt to restrict the rising rent for smaller dwellings and a prohibition against publishing "dangerous" news and literature.

Just as these economic half-measures taken tardily during the last war served as lessons for the Second World War, so the income tax introduced in 1917 served, on the one hand, to make the Malay government in 1939 more insistent on its earlier and more extensive application, and, on the other, to strengthen public opposition to it. In the first place, income tax was imposed not in the Federated Malay States but only in the Straits Settlements, where it brought in miserly sums averaging about \$4,000,000 a year. It also aroused the opposition of the Chinese community so successfully that they shirked payments, and this in turn antagonized the European Straits community on whom the whole burden fell. When Guillemard became governor in 1919 he had to decide whether or not, in the face of vociferous protests, he would use the official vote for renewing the income-tax legislation. He found that his official advisers, while admitting that it had been introduced as a wartime measure and that the Treasury no longer needed the money, favored its retention so as to establish the principle and to avoid scrapping the machinery so onerously set up for its collection. Guillemard's sympathies were with the unofficial community, and he decided not to force so "unfair and unnecessary" a tax through the Council. No concession, affirmed Guillemard in his memoirs, could have borne better fruit—an opinion which the later administration of Sir Shenton Thomas hardly shared.

### *The Singapore Base*

Mindful of Lord Roberts' dictum that the history of the world would one day be settled at Singapore, Britain decided to build a great naval repairing dockyard at the Straits capital. Singapore controlled the trade routes from Europe and Africa

to the Orient and was already possessed of a fine air field and a peaceful hinterland. In 1921 the Washington Agreement definitely restricted the number of capital ships of Britain, the United States, and Japan, and marked out an area in the Pacific wherein neither Britain nor America was allowed to construct new naval bases or to fortify further those already established. Hong Kong and Manila were both in this restricted zone, but not Singapore.

At the time the decision was taken to build the Singapore Base, there was a great outcry in England that it was both a needless extravagance and an unnecessary provocation to Japan. Such opinion was behind the attempt made by the Labor Government to reverse the decision, but when the Conservative Government was returned to power in 1924, work on the Base was resumed. Its cost was to be defrayed by Hong Kong, Australia, New Zealand, the Straits Settlements and Federated Malay States, with the Home Treasury contributing almost nothing. Repeatedly it was stated in the Commons that the enormous scale of the Base—the naval section alone covered twenty-one square miles—was dictated by the size of modern fleets and not by the expectation that it would be used in a Far Eastern war. Emphasis was placed on its docking and repair facilities. These comprised a vast floating dock towed out from England in three parts, a graving dock that could more than accommodate anything afloat, and a huge crane able to lift boilers and heavy guns out of a battleship. The fireproof oil storage tanks holding a million tons of fuel, the underground munitions dumps, the shore batteries set up on Singapore and its adjacent islands, and the three military landing fields were all soft-pedalled.

As the Base had necessarily to be modified over the long period of its construction to keep pace with current requirements, so the estimates mounted annually by millions of pounds over the figures which first appeared in the 1923 Naval program. The Base was officially inaugurated in 1938.



Just before the outbreak of the war in 1939, the official estimates were approximately £16,000,000 for equipment and £50,000 for maintenance, including the cost of the garrisons then stationed there. In late September 1941 Admiral Layton told reporters a new torpedo depot and new facilities for the fleet air arm were being constructed.

About the time the Base began taking shape, espionage stories about Japanese fishermen and photographers began to circulate, and as the war shadows hung ever blacker over the Far East the secrecy in which the Base was shrouded grew into a policy. Naturally certain aspects had to be veiled, but the hush-hush policy began to find such favor for the whole local military effort that many people thought work on the Base had been abandoned. In July 1938 a leading Australian newspaper, the *Sydney Morning Herald*, ran a series of articles expressing doubt as to whether Singapore in an emergency could play its anticipated role as the protector of Australia. To begin with, no fleet was based there, and certain situations might conceivably arise making it difficult for a fleet to take up its position; secondly, the vast scale of distances in the East Indies and South Pacific was such that sea warfare in the West provided no instructive precedent. The Japanese press began to say that the Singapore Base was more a matter of talk than accomplishment, and by some groups in the United States the Base was regarded as but another excuse for a request to extract Britain's burning chestnuts by providing the lonesome stronghold with a few warships.

With the arrival of Indian, British and Australian troops both before and after the outbreak of war, a more healthy publicity was evident in the royal welcome given to inquiring foreign journalists. This time the Base was publicized not only as a deterrent to a potential aggressor in the East but as the bastion of India and Australia. Under the Eastern Group program devised at Delhi in the fall of 1940, Australia, through its recent and remarkable industrial expansion, was to replace

Britain as supplier of the bulk of munitions and provisions required by the expanded empire army in Singapore. In harmony with the trend of Japanese policy in Thailand, Tokyo's press and radio began to circulate stories calculated to arouse the suspicions of the Malay population as to the intentions of the Australian garrisons and to strengthen the latter country's perennial fear lest she be caught holding the imperial bag in the Far East as well as the Near East.

What the strength of the Base amounted to during the war is still unknown. Prior to 1939 about 7,000 regular troops and only one warship were permanently stationed there. In August 1939 the number of troops in Malaya was doubled by the arrival of Indian and British reinforcements. Penang's garrison was increased, and for the first time troops were stationed in north Malaya. Since the declaration of war no detailed information has been available as to the exact strength of Malaya's forces, but reports of the frequent arrivals of Indian and Australian troops gave a falsely reassuring impression both to the Straits public and to the world generally.

### *Aviation*

With the inauguration of the Base in 1938 it was announced that Singapore would become the R.A.F. headquarters in the Far East, that its strength would be doubled, and that new airdromes would be constructed not only on Singapore Island but on the peninsula, Sarawak, and Borneo. While it was generally held that the sea approach to Singapore was impregnable, this move indicated that the prevention of a land attack from the north must depend on aerial defense, especially after Japan had begun to move into the islands off the Indo-Chinese coast.

In 1935 a Volunteer Air Force—the first corps of its kind outside the United Kingdom—was created for the defense of the Straits Settlements. It was open to Britons between the ages of seventeen and forty, but the total expenditure thereon

was limited to £500,000 a year. The Federated Malay States' appreciation of Singapore's new role as a military air center was evidenced by its gift of two squadrons of aircraft for R.A.F. use in Malaya.

In January 1939 land was acquired in North Johore for a new R.A.F. airdrome. This was to be the first of a chain of air fields to be established throughout the peninsula to protect Singapore from a backdoor attack. The following month, at the same time that an R.A.F. mission went from Singapore to inspect the new airplane factories being built in Australia, it was announced that R.A.F. expenditures in Malaya would be greatly increased—£720,000 as compared with £612,000 in 1938—principally for the construction of upcountry airdromes. By November 1941 there were more than a score of all-weather, Tarmac-surfaced airdromes with underground bombproof fuel and explosive dumps and extensive repair facilities. In the London *Times* Malaya's twelve useful land-plane bases were cited as Alor Star, Batu Pahat, Ipoh, Kuala Lumpur, Penang, Port Swettenham, Skudai, Sungei Pattani, and four on Singapore Island. The seaplane bases were at Langkawi Island, Lumut, Muar, and Penang. The press was encouraged to publicize the existence of fine airdromes in Malaya "with clouds of bombers," but the American correspondent, Cecil Brown, was not able to see them and reported that Kota Bharu air field was only a grass runway covered with three inches of mud and water. As in the case of Malaya's land forces the exact strength of the aerial forces in the country was never known. Reports of frequent arrivals of empire aviators gave an impression of adequate protection that was only slightly undermined by General Brooke-Popham's remark, in October 1941, that he wanted additional air strength. In that month, for the first time, airborne forces and parachutists figured in Malayan war games. Training centers for air crews, pilots, and gunners had indeed been established at various places in Malaya fairly early

in the war, but they were open only to men of pure British descent and with certain educational qualifications.

As usual, when any scheme was confined to the European British, excuses about the limited use made of Malaya's manpower reserve fanned the flame of racial resentments. The possibility of creating a small Malayan air force, comparable to the Malay regiment, which would open careers in military and later in civil aviation to local-born men involved two interesting issues. The first was the question of employing Eurasian and Asiatic British subjects in the regular forces of the Crown, and the second, the future of the flying clubs and of the Straits Settlements Volunteer Air Force. When the R.A.F. reserve training centers got under way it seemed inevitable that the local volunteer air force must disappear. The amateur flying clubs, whose assistance in training R.A.F. flyers had also been solicited at first, were likewise forced to revert to purely sport activities. Both the Straits volunteer air force and the flying clubs had cost considerable sums to the Malayan public in annual subsidies, and when the time came for them to justify such expenditures in a semimilitary usefulness, government support was withdrawn.

The first and more important issue was not resolved until almost a year after war was declared in Europe. In August, 1940, a special technical corps of the R.A.F. was opened to non-Europeans, in particular to graduates of Malaya's four trade schools. The catch was that although the volunteers sought would be called upon to serve anywhere in the world, they could work only in ground crews, and wherever R.A.F. units in Malaya were released for service elsewhere their places were to be taken by Australian and not by local-born flyers. Further, part of the pleasure taken locally from the opening of even one branch of the R.A.F. to the local-born was somewhat dimmed by the simultaneous admittance of all foreign nationals. Later a more real though still limited concession was made to the aspirations of the local-born by the

opening of a Flyers' Training School in Singapore for the patrolling of the country's long coast line. By June 1941, fifty-one locally trained air cadets had been sent overseas. Two months before war broke out in the Pacific, Malaya's volunteer air force had a strength of twenty-three officers and one hundred and thirty-six men operating at the training camps on Singapore Island. The destruction of Britain's two capital ships during the first week of Pacific warfare restored to Malaya's fragile air forces the main burden of the country's defense.

*Man-Power: Asiatic*

Even before the outbreak of war in Europe a slightly more liberal attitude was adopted towards the military training of the local Asiatic community. Inevitably the Malays were the first to be given satisfaction. As the result of their frequently expressed wish to have a regiment of their own replace the Indian battalion stationed at Taiping, an all-Malay unit of seven hundred men was garrisoned at Port Dickson in 1932. Six years later a Malay sapper force was in process of formation at Singapore. Both these units afforded deep satisfaction to the Malays, who were tired of being regarded as an effete and dying race, and also to the British since the Federal Government was able thereby to effect a saving of \$700,000 a year on the cost of the Indian troops.

In March 1939 the experiment was considered sufficiently successful to justify an increase of the Malay Sappers by a thousand men, as part of the Hore-Belisha policy of making greater use of local man-power in colonial garrisons to relieve the regular British army. Malays were also accepted in the Straits Naval Volunteer Reserve, formed in September 1939. The attempt, it was felt, merited expansion, and early in 1941 a selection board scoured the country for one hundred more Malay volunteers. The Colony undertook to defray the costs inasmuch as this naval reserve was utilized primarily to keep

Malaya's sea lanes safe for the country's shipping. While in September, 1941, it could be said that there were four times as many Malays in the fighting forces as there had been a year before, the strength of the Malay navy on the eve of the Pacific war was only about eight hundred men. However, the most interesting feature of this development was the fact that most of the training of sailor recruits was carried out by senior Malay ratings under the supervision of only a handful of European officers. On 5 January 1942, it was announced that the Malay navy would be increased by one hundred more recruits.

The military concessions made to the Malays naturally produced a demand for similar privileges from the Eurasian and Indian communities. Feeling ran high, especially after two Eurasians who had gone to Britain at their own expense to enlist in the R.A.F. were turned down because they were not of pure British descent. The Indian community was similarly aggrieved because refusal of their request to form an infantry corps synchronized with the enlargement of the Malay sappers. The principal and not too convincing objections to the creation of such regiments were their cost, the low pay of about a dollar a day, and the difficulty of finding employment for ex-soldiers when their period of service was over. These were hardly valid excuses in view of the current Eurasian unemployment situation. For a long time the whole question remained in the realm of speculation, as it was discussed publicly only in the newspaper correspondence columns.

On the grounds of justice as well as expediency it would seem to have been an act of social as well as economic wisdom to replace foreign Asiatic by local Asiatic troops, and the cogency of this argument finally persuaded the government to authorize creation of a Eurasian regiment. Ironically enough, and in spite of frequent exhortations by the leaders of their community, the concession was followed by no rush on the part of even unemployed Eurasians to volunteer. This

was partly attributable to the reluctance of some employers to encourage their Eurasian clerks to become part-time soldiers; but, more important, it revealed that injured pride lay at the root of the whole matter. The Eurasians were aggrieved that their pay was on a lower scale than that of European volunteers. The plea to a higher loyalty—that the empire's need in time of war should obliterate an obvious communal injustice—fell on deaf ears. The form in which the concession was made aggravated rather than mitigated the basic Eurasian problem. The so-called leaders of the domiciled Indians were no happier and they continued to complain over the insult to their race embodied in the government's persistent refusal to permit the formation of a local Indian volunteer corps.

In 1940 the Chinese community in Singapore evinced a great enthusiasm for the formation of a Straits regiment that would make soldiering a career for the local-born. Possibly this was stimulated by the exhortations of Chungking's envoys, who frequently visited Malaya to urge the Chinese to undergo military training for service in the defense of their adopted country even if they were unable to fight in the homeland. The Chinese, with characteristic solidarity and confidence, specified that they wanted a regiment for local defense and not for service overseas. Realizing that they would undoubtedly predominate, because of their numerical strength in the colony, the Chinese amiably did not exclude other races from the new local unit they proposed. Inasmuch as there was already a Chinese section in the Straits Volunteer Forces, the Chinese were more willing to accept the government's excuses of shortage of equipment. A small noncombatant Chinese Labor Corps was formed in the fall of 1941. The government was obviously more interested in praising Chinese monetary contributions to the British war effort than in encouraging them to assume a military role in the defense of Malaya. Not until 26 December did the government, in con-

cert with the local Chinese leaders, agree to the mobilization of the resident Chinese for a wide range of war services from police to guerrilla warfare. In addition to exhortations from Chungking, this represented a spontaneous movement on the part of the local Chinese who organized themselves into a Mobilization Council with a standing committee composed of representatives of all shades of Straits-born and immigrant Chinese. This group organized a volunteer police force, delegated five hundred Chinese for passive defense work, and recruited a large unit of laborers to aid in military and public works. For the first time in the history of the colony, local Chinese issues were thrust aside in the common interest. A week before Singapore fell hundreds of Chinese volunteers were finally being trained by leaders sent for this purpose from Chungking. Several thousand Chinese boys were reported by the last press correspondents in Singapore to have marched into battle armed with sticks, knives, and a few rifles, and never to have been seen again.

Two months before the Pacific war broke out the military authorities issued pleas for more Asiatic volunteers for both the transport and medical services and for civil defense generally. In mid-October a member of the Legislative Council urged that all Asiatic British subjects be brought within the working of the Conscription Ordinance, to which the government refused to answer "on such short notice." None of the openings made for the local-born in the noncombatant forces appeased the domiciled Asiatics' resentment towards the government's refusal to utilize their military potentialities. The country's old evil of privilege along racial lines vitiated the whole problem. Discrimination was exercised against such Asiatics as did volunteer, with regard to both pay and hospitalization facilities. No serious attempt was made to replace regular British or empire forces in Malaya by training local Asiatics. Such concessions as were made, and a large proportion of those sought, were designed primarily to save wounded



racial pride rather than to serve the imperial cause in what was not generally recognized as its hour of need.

*Man-Power: European*

From the outset of war London pronounced Malaya's role to be primarily that of producer of tin and rubber. Except in a few highly specialized categories the fighting service in Great Britain did not want volunteers from overseas lest it dislocate colonial producing industries and jeopardize the strength of local defense forces. The events of May, 1940, changed British policy towards raw material producing countries like Malaya. Lord Lloyd, the new Secretary for the Colonies, asked for the release of civilian officers for local military duties to replace the regulars needed for home service.

So long ago as 1921 the Registration Enactment theoretically ensured the registration of British man-power in the Federated Malay States with the unmistakable intent—inasmuch as it did not apply to naval, military, or police forces there—of seeing that every able-bodied Briton in the Federation was prepared to defend the country. Yet in 1938, at the time when the Federated Malay States Volunteer Force plan was completed, it was officially admitted that among the 12,000 European residents only a small percentage of those required to register had done so. Indeed only seven recruits had come forward in the Federated Malay States during the Munich crisis, although in general upcountry Britishers showed less apathy about joining local volunteer units than their compatriots in the big towns. Early in 1939 the law was tightened so that no one could any longer claim as an excuse ignorance of the regulations.

In December 1938 two new offices were created—Secretary of Civil Defense for Malaya, and Director of Air Raid Precautions. Great satisfaction was evidenced over this move as indicating that the government had finally passed from the stage of vague assurances to that of setting up a visible frame-

work for civil defense. At the same time a report made by the man-power subcommittee of the Defense Commission revealed to a surprised public that it had been holding meetings for some years and had already worked out a schedule for the utilization of volunteers in both the Colony and the Federated Malay States in case of a national emergency.

A campaign was launched early in 1939 to secure more recruits for Malaya's volunteer forces. The lesson of the 1915 mutiny had apparently been forgotten: only occasionally had the flow of European volunteers to infantry units been fair, and mostly it had been very poor. All sorts of inducements had been periodically suggested to beguile young Europeans into enlisting, but their inadequacy was revealed in a broadcast made from Singapore in February 1939 by Major Dobbie. There was still a deficiency of 200 men in the Singapore European unit, and the same was true of the Federated Malay States volunteer force, a state of affairs which the current international situation made intolerable. That same month a Man-Power Bureau was opened in Singapore to enroll the 5,000 British men and women who had no connection with the regular forces and who conceivably might be useful in an emergency. Government servants and business firms were simultaneously circularized to collect information with regard to key men. A bill was also passed through the Legislative Council that same month to permit increased expenditures on local defense forces.

In 1933, the additional expenditure on local volunteer forces had been curtailed to \$600,000 annually and designated to cover every volunteer activity in the Straits Settlements. But it was soon found that the military portion barely covered the actual recurrent expenses of the force, thus leaving insufficient funds for capital expenditures. In 1935 the Colony made its first *exempli gratia* grants towards the cost of imperial defense, and most of the \$500,000 grant was spent on the Straits Settlements Royal Naval Volunteer Reserve. The

army's share went towards building up war reserves and providing machine guns. In the next three years, the Volunteers received further allocations from the grants, yet when the war actually broke out the equipment of the volunteers left so much to be desired that Malaya was aggrieved that the Cinderella-like position of her own forces should be the reward for her consistent generosity to the Imperial treasury.

When the European crisis was rapidly coming to a head, in August 1939, the government was given wide powers to deal with an emergency, but the conscription of man-power was not included and required additional legislation. At the moment public opinion was apparently solidly behind the Governor, Sir Shenton Thomas, when he decided to ask the Secretary for the Colonies permission to enact legislation "to provide that every able-bodied person be liable for such service as the state may demand of him." Yet even then there were indications that unofficial European opinion was not so uniformly favorable to the idea in the Straits Settlements as in the Federated Malay States. It was felt that the government should not go beyond endorsing the principle of compulsory service, and this only for the war's actual duration. Business and professional firms demanded to know who was going to pay the conscripted members of their staffs, and how their personnel was to be replenished. Malaya's happy experience during the last war was recalled, but few seemed to notice that Japan was now conspicuously absent from the Allied ranks. At that time conscription had been applied on a very limited age basis and wide exemptions were granted, though some firms had been handicapped by considerable volunteering for overseas service.

The actual declaration of war in 1939 did little to change this business-as-usual attitude. Although a majority of the Straits Settlements (Singapore) Association on 25 September voted that service in the local volunteer forces should be made compulsory for all European British between the ages of

eighteen and forty-one, urging proper provision for their dependents and adequate exemption for those in key positions, this viewpoint was not endorsed by the more representative European Associations or by the influential *Straits Times*. Neither could see any valid reason for introducing compulsory service in Malaya even by that time. The general public's attitude was that inasmuch as the government, in consultation with representatives of the Services and commercial interests, had been long discussing the man-power problem, they should be left to deal with it in their own good time. The Secretary for the Colonies had stressed Malaya's commercial importance, and that was enough.

By the beginning of 1940 enthusiasm for Malaya's playing a more active role had definitely bogged down. Absorption of some of the volunteer units into the regular forces was partly responsible. For the past twenty years Malaya had, with varying degrees of enthusiasm, spent considerable sums annually on the training of volunteers in case of war; but now these volunteers had lost their identity as specifically Malayan units, or were found to be too poorly equipped to be useful, or else the key men in these units turned out to be likewise key men in the economic system and indispensable to it. Mobilization, it seemed, would throw local industries into chaos, or if exemptions were widely granted the country might find itself in the position of having machine guns but no gunners. Those who saw the futility of trying to serve in Malaya and tried to volunteer in the United Kingdom were debarred from so doing. But protests against a policy which shelved Malaya's active military participation in the war were small compared to the outcry raised by the proposed imposition of income tax which would jeopardize profits as well as convenience.

The feeling of uncertainty, dating from the outbreak of war, in regard to official intentions about man-power mobilization was not dispelled until the war in Europe took a bad turn in 1940. The vagueness and quantity of the new regula-

tions had by this time dampened the enthusiasm of those employers sincerely anxious to cooperate and also the young men eager to serve, with the result that the ranks of many volunteer units were still sparsely filled. Finally, on June 7th, two bills were put through the Legislative Council and later through the Federal Council, one imposing liability for service with the volunteer forces on all male British subjects, and the other providing a more effective training for them. The Colony planned intensive volunteer training in two periods of three weeks each with a fortnight interval between, judged necessary because of the amount of office work in the Straits Settlements. In the Federated Malay States, however, since more complete arrangements had already been made to carry on with skeleton staffs, it was thought that those called up could be spared for two months at a stretch, and they were thereby given a more intensive training. Criticism which had heretofore been concentrated on the government's failure to take any action at all now shifted to the variety of such action after it was finally taken. The local Commandant had been made the exempting authority under the new bills, and it was hoped that this would effect a revision of the now probably obsolete man-power schedule established several years before.

Since the new bills were limited in application in the first instance to European British and to men not over forty-one, it seemed unlikely that large numbers would be called up in the immediate future. Nevertheless, maneuvering for exemption at once began on a scale which threatened to reduce the new ordinances to a farce. While some firms responded patriotically, others applied for the exemption of from 50 to 70 per cent of their staffs: key men, it appeared, were now the rule and not the exception. It had been proposed to fix the Local Defense Corps at 2,000, but only approximately 1,100 were enrolled at the end of March 1941—partly, it should be added, because of lack of equipment. A vague provision was made that no financial hardship should be incurred by volunteers,

and postwar reinstatement by their employers was ensured by law.

The type of training given these volunteers came under fire in the late spring of 1941. By this time it was generally admitted that Malaya's civilians needed far more military training, but disapproval was expressed at the government's alleged effort to make first-line troops out of what were essentially auxiliaries. The tropical climate, the sedentary occupations and the age of most of the volunteers made such strenuous training "as dangerous as it was unnecessary." The Services authorities, on their side, complained that they could not make up full units during the periods of compulsory training, and charged that not all employers were cooperating as enthusiastically as they should. The employers in their turn bewailed the inconvenience caused them, and claimed that this handicap was not shared equally by all. Many of them had declined to make application for exemption of their staffs only to find competitors asking and securing exemption for a large proportion of their employees. The strikes which were then hindering Malaya's tin and rubber production would not have occurred, it was asserted, had staffs been maintained to keep watch on the labor situation. Moreover the government, which was urging business and professional firms to permit the maximum number of men to be trained, was not setting a worthy example in its own departments. To such criticisms Sir Shenton Thomas replied, not overclearly, that if Malaya were faced with war the government was prepared to let 89 per cent of the men under forty-one go forth to fight. "This is a high percentage," he said, "but we should like to make it even higher."

In the fall of 1941 there was renewed agitation for a greater and more efficient utilization of Malaya's European manpower. Many more British planters and dredge operators, it was said, could be replaced by Asiatics. It was criminal to exempt Europeans on rubber estates for replanting purposes,

which entailed the cutting down of old rubber trees, when the country was underexporting its quota. Retired planters living in Malaya could adequately do such supervisory work as was necessary. The only way to defeat employers' objections to conscription was either for the war to come to Malaya or for the government to enforce conscription by legislation. The Malayan governments lacked the vision and courage to take the latter step. Actual warfare in the country surprised Malaya while it was still debating the advisability of a reexamination of the whole man-power problem. On 22 December registration of every person in the Straits was enforced for purposes of centralization, in addition to that previously required for all males, in both the Colony and the Federation, who were liable for combatant as well as noncombatant services.

### *Passive Defense*

It was interesting to note that in 1938, while Europe was organizing its civilian population to meet the air menace, the European Association of Singapore was publicizing a contrary view. It had long been assumed that the Singapore Base obviated the possibility of a sea attack on Malaya, so that an aerial assault constituted the chief menace against which local defense should be built up. Yet the European Association openly criticized the recently instituted A.R.P. as causing unnecessary alarm among the Asiatic population and involving premature and needless expense. This view certainly reflected the average citizen's indifference at the time to local A.R.P. efforts. Until the war actually broke out, the public refused to entertain even the idea that it might be an unpleasant necessity.

In March 1939 the newly appointed Director of A.R.P. formulated a plan designed to reassure Singapore's Chinatown regarding evacuation of the thickly populated districts in the event of air raids. Suitable sites were to be selected on Singa-

pore Island because of the impracticability of evacuating several hundred thousand people across the bottleneck of the Johore Causeway. By this time, and by dint of two black-outs, the people of Singapore had become more A.R.P.-conscious than during the preceding September crisis, and for their further instruction the authorities were widely distributing an A.R.P. booklet in five languages, and organizing lectures on "what to do during an air raid" for the staffs of large firms and factories. In brief, Singapore's vast population was reassured by this evidence of government planning for their hasty wartime exit.

Then suddenly the government reversed its policy. The Secretary for Civil Defense in a broadcast on 7 May stated that the previous plan of rural evacuation was impracticable and that the town's high ground-water did not permit the digging of trenches. Naturally leaders of the Chinese and Indian communities expressed their disapproval of a policy that relegated the protection of the lives and property of several thousand people to second place behind the general defense of the fortress. Civilians, it seemed, would just have to take their chance pent up in overcrowded, flimsy, and inflammable houses where they were urged to stay and not to run out into the streets. Even if the government had decided not to evacuate Chinatown, nothing short of an army could prevent Chinatown from evacuating itself. Sir Shenton Thomas, in defense of the administration's unpopular "stay-put" policy, quoted two military authorities to the effect that the danger of an air raid on the fortress was very remote, and that Singapore was probably safer than any other city of its strategic importance in the world. Yet, if the possibility of such an attack was so remote, people were asking why they should be bothered at all with such tiresome precautions as black-out rehearsals and the training of air-raid wardens.

The A.R.P. lectures which had been given in Singapore were repeated in the summer of 1939 in the planting districts,



but the manner of their presentation was hardly tactful. Local Europeans refused to attend a short course of four or five lectures required for passing an examination. Some planters had to come from a long distance, and the cost of A.R.P. literature, \$1.50, was a large item for estate clerks whose employers did not emulate their more generous colleagues in Singapore and distribute it free to their employees.

Dissatisfaction at the progress, or lack of it, in Malaya's passive defense measures was not actively expressed again until late in 1940. Then a prominent unofficial member of the Federal Council stated that if the steps taken in the Colony were inadequate, the situation in the Federated Malay States was far worse. A genuine A.R.P. meant considerably more than an ambulance brigade, a few auxiliary firemen, and a host of air-raid wardens, all of which had been organized before the war broke out. Schemes which should have been put into effect months ago were still under consideration, and the government's half-hearted measures had induced public apathy. The appointment of a Civil Defense Chief should have brought more coordination to such efforts as had been made, and could have given the lead by setting up shelters for those in congested areas, organizing rescue squads and repair parties.

Japanese encroachments in Indo-China made some such action imperative and brought about a visit to peninsular defenses by Sir Shenton early in 1941. This in turn produced a *volte-face* in government policy, and despite the enormous difficulties involved a plan was drawn up for the evacuation of 15,000 persons living in the most crowded areas of Malayan towns. Though Singapore's defense organizations were still in the vanguard, Johore was beginning to take the initiative in building an experimental type of air-raid shelter, and even Kedah and Perak made a start at organizing A.R.P. services.

On a second tour to the northern states in late August 1941, Sir Shenton was cheered to note that places which until a few months before had been hardly aware of the war were finally

showing signs of activity. While Kedah had no local defense corps, it had created a body of 2,200 civil police, 1,500 of whom were taken from all ranks of the plantation community and detailed for estate service. The Federal police force had also been enlarged to deal with refugee problems and with the prevention of looting during raids. Appeals were launched for more volunteers, both men and women, to join the work of civil defense.

An undercurrent of uneasiness was noticeable in the August meeting of the Legislative Council and indicated that all was not well with the country's war effort. While certain sections of the passive defense were receiving strong support, the response to others was unsatisfactory. Yet the authorities hesitated to interfere by a compulsory readjustment with such public enthusiasm as existed. In order to try out every possible method of securing adequate forces on a voluntary basis the administration introduced a Personal Injuries Emergency Bill, providing indemnity for injuries received in the course of passive defense service. Still the response was unsatisfactory. On 20 December an allowance was authorized to be paid to all civil defense workers and relief to the families of local men engaged in active defense work—but the racial inequality of the salary scale was maintained. A few months before the Pacific war broke out and within a space of twenty-four hours, the heads of both civil and military establishments made public reference to the poor response of local communities to the call for more volunteers. Although the shortage in equipment had been remedied at last, not a single one of the services was up to full strength. Too large a proportion of those who had volunteered were young men of military age who could better have joined the volunteer forces; moreover, they were badly distributed because of competition among unit leaders. Malaya's civil defense had been built up piecemeal. Too many overlapping organizations were putting forward conflicting claims. There was talk of disbanding the volunteers since both

civil and military authorities thought that the country's defense should lie exclusively with the empire troops, and that local talent should be concentrated in the passive defense services. Just before the storm broke, a final effort to coordinate the local defense services under a supreme command was turned down by General Percival. On 1 January 1942 a Director General of Civil Defense was appointed, but two weeks later there was still no coordination between the different branches of the civil defense services.

The expense involved in such measures as were taken proved to be a big stumbling block to their effectiveness. Late in August 1941, when the Far Eastern tension was producing another burst of A.R.P. activity in the form of pamphlet distribution, the government stated that it had already spent \$1,500,000 on passive defense, chiefly for the erection of evacuation camps on Singapore Island. The communiqué gave the official reasons why it was impossible to dig trenches in the city. The problem of shelters, the government felt, was too big for it to tackle. Wealthy residents were expected to provide shelters for their employees, and there was considerable grumbling over the provision of free shelter for government servants. The Municipal Commissioners had already strongly protested six months earlier at being saddled with 25 per cent of the cost of the passive defense services, and even this they acceded to on the magnanimous ground that further wrangling might dangerously compromise so essential a service. It took nine weeks after the first bombs had fallen on Singapore for that city to begin construction of its first public air-raid shelters in congested areas at government expense. Some of the reasons assigned earlier for the non-construction of shelters—that they would augment the dangers of disease and immorality—were still valid, and so the public naturally wondered why they had not been built sooner. They were still not provided with either tin hats or gas masks. It seemed only too obvious that the civilian population was given the

minimum of protection, and this naturally did not heighten popular morale.

In March 1941 practice defense maneuvers were combined with a simulated land and sea attack on Singapore. Six months later, inhabitants of the parts of Singapore Island earmarked for evacuation had been registered, and construction begun on camps for their shelter. That same month all-Malaya defense exercises were held, involving some 20,000 passive defense workers—the most comprehensive and realistic attempt made before the outbreak of the war. Presumably some valuable experience was gained therefrom, but the behavior of the passive defense service in Singapore during its first raid on 8 December was hardly reassuring. The Japanese planes arrived before the A.R.P. alarm sounded, and then it was heard in only a limited section of the island. The city's lights remained obligingly on throughout the raid, and there was no attempt to enforce a black-out. On 16 December the death penalty was decreed for looting; twelve days later compulsory civil defense service was required of every man in Malaya between the ages of twenty and thirty. On 30 December martial law was decreed.

In the light of wisdom-after-the-event, various observers have generously apportioned blame for the surprising weakness of Malaya's defense. There has been a marked tendency to denounce the degeneracy of the people, notably the "whiskey-swilling planters." Singapore's apathy to all but money-making, stengahs, and club life has been decried as the cause of its spiritual death. Certainly the country proved to have been both militarily and psychologically unprepared for the war that overwhelmed it. But degenerates could hardly have created rubber plantations out of the jungle or mined tin under the conditions of tropical life found in certain parts of Malaya. Shortsightedness and gross negligence would seem to be the fairest charge that can be leveled against those responsible.

The military authorities could not be blamed for lacking men and equipment; they had asked for them and been denied in the interests of British resistance in Libya and the Near East. But they can be blamed for having naïvely believed in the impenetrability of the peninsula, for not having envisaged a better defense of a terrain whose potentialities they should have known far better than the Japanese. Reporters claim that only three weeks before the war broke out did they discover that Bren guns and small tanks could negotiate rice fields and jungles, and then it was too late to change their strategy.

The civil authorities could have been less gullible about the changes going on in Thailand and less scrupulous about forcing that country's neutrality. They might well have kept closer watch on the Japanese in Malaya. The minute knowledge displayed by the Japanese command of rubber estate roads and jungle paths was not gathered in a day. Above all they could have seen to a better organization of local defense. They hesitated to use compulsory measures on businessmen to release employees for training; they let improvised schemes of civil defense grow up without coordination or central planning; they failed to make full use of either the Asiatic or the European man-power available. They made virtually no attempt to defend or protect Penang against a series of ruthless bombings. The public utilities, food provisions, stocks of tin and rubber, shipping, and even the Treasury of that great port fell intact into Japanese hands. The only serious attempt at evacuation made was in behalf of the Occidental population, and not even all of them were notified.

An astonishingly frank broadcast made over the government-controlled radio on 20 December revealed that the people of Penang had been evacuated against their will by the military authorities and without even the knowledge of the civilian administration. This was a tragedy of miscalculation and ignorance in which the refusal of the population to take shelter and the disappearance of the labor forces, who feared

without basis a food shortage, showed that no town in Malaya could continue to function without the maintenance of its essential services. Although the government reiterated its pledge that no further evacuations would take place in which distinctions would be drawn along lines of race and creed, the circumstances under which Penang was surrendered proved to be the first blow to Malayan morale. Later the general fear that the scorched-earth policy was being inadequately carried out, and still later the transfer of General Wavell's headquarters to Java, lent support to the conviction that Singapore would be given up after only a token bombing. How swift was the change in the public's attitude is indicated by a significant editorial which appeared in the *Straits Times* on 2 January 1942:

Even a month ago . . . if anyone had dared to suggest that a major explosion would precede the declaration of war, and that the turn of the year would see the Japanese land forces operating south of Ipoh, while we in Singapore were pressing ahead with every ounce of our strength so that we might be fully prepared to resist an enemy attack upon us by land, sea and air—he who had dared to predict any of these things would probably have been put away as a lunatic.

All the evidence points to the fact that no one in Malaya, military or the civilian, was seriously prepared against an overland invasion. Against such an unlikely eventuality men thought themselves to be adequately defended, and they believed what they had been repeatedly told, that the forces stationed in Malaya were able to cope with all contingencies. They did not believe that Japan would enter the war; they did not appreciate the strength of the peninsular drive, thinking that Japan would use her foothold there simply as a bargaining point. Each successive blow came as a shock whose significance it was impossible for them to grasp. The change in command restored optimism. They continued to think that

the initial surprise attack would spend itself, that time was on their side, that the best empire troops had not yet been engaged; and they continued to believe that the country's natural defenses were impregnable, that the Japanese were suffering disastrous losses and reinforcements would soon come to offset their numerical and aerial inadequacy. It was inconceivable to them that the great fortress itself could and would fall.

## XII

### WARTIME CONTROLS

MANY GOVERNMENT RULINGS, especially at the beginning of the war, were purely precautionary measures—the usual evidence of war psychology. But as time went on they progressively affected an ever wider range of Malaya's life. The outcry was greatest where the chief effect was inconvenience; there was little complaint where real sacrifice was involved, partly because the elements so affected were mostly the poorer Asiatics.

The first regulation was a Trading with the Enemy Act which involved less than 2 per cent of the total of Malaya's foreign trade. Not until the summer of 1940 did Malaya become fifth-column-conscious. By that time the male enemy aliens, interned at the outbreak of war, had been released or deported. Thanks to the Refugee Relief Committee, the two hundred or so Jewish refugees in Malaya had achieved a fairly secure position and were subjected only to mild supervision. Even after public attention was drawn to the potential danger they represented, nothing drastic was done about them. Their number was small; there were few places to which they could be deported; and, above all, precautions had already been taken to avoid their competing with the domiciled communities. A tribunal was set up to review the individual cases of enemy aliens who had retained their freedom of movement in the Colony.

In July 1940 the first really active steps were taken. The government once more interned all male enemy aliens, then numbering over 100 in the Straits. Additional funds were allo-



cated to the secret police to assure a more effective control over subversive activities. The next month came a revision of the Registration of Aliens Bill of 1937, whereby a central registry was set up and a uniform control established over all aliens throughout the country. Aliens were now required to carry identification papers and were prohibited from entering certain areas. In October 1940 control was tightened over the entry of Europeans into Malaya, yet at the same time certain non-British Europeans were granted admission into the newly created defense units. On the whole, government measures followed those taken during the First World War, but public interest in enemy aliens was more apathetic, probably because of the marked absence of local espionage scares.

The measures taken to control food stocks and prices probably affected more of the population than any of the other wartime machinery. A few months before the outbreak of war an ordinance was passed to prevent hoarding. Yet in April 1939 the newly appointed Food Controller and the governor both launched appeals to householders to emulate the government's example by stocking a two months' supply of rice and milk. The government promised not to commandeer such stocks provided that their amount was duly registered with the authorities. The lack of more concrete proposals, as well as this open invitation to profiteering, disappointed a public which had expected a more constructive program to emerge from eight months' deliberations. The vast majority of Malaya's population lived from day to day and were too poor to lay in supplies. It was also mysterious to them how the government was going to check profiteering, since it could hardly sell commodities of which it was apparently not in possession. When Sir Shenton Thomas offered reassurances on the latter point, by referring to his plan to store paddy in the nine warehouses then under construction, he was criticized for not having revealed the names of the possibly non-British firms in charge of building them. The Governor's further reference

to a food distribution scheme, similar to that prevailing in 1917, gave rise to unhappy reminiscences of the inefficiency of government food control during the First World War.

For almost a year before the war broke out there had already been widespread criticism of the high cost of foodstuffs and of the government's indifference to this problem. But Singapore did not really feel the pinch until the eve of the Second World War, when rice prices were up by almost 10 per cent and the cheaper grades of milk had advanced by 15 per cent. The government then did send inspectors to visit the markets daily and to see that prices were clearly marked and receipts given upon request. On August 24 a warning was uttered against food hoarding, yet the official assurance was repeated that declared householders' stocks would be safe from requisitioning. Employers of large labor forces were specifically exempted from the order limiting general supplies to one month's requirements.

Early in September the government took more vigorous steps to ensure continuous supplies of essential foodstuffs and to keep prices down. Certain foods were banned for export, maximum prices were fixed for sugar and ghee, and the government itself began buying large stocks, partly to stabilize the market. These measures were insufficient to check profiteering and the adulteration of many foods, and so in mid-October the Straits government issued new rulings to enforce the stricter control of prices and imposed severer penalties for their infraction. Modified lists of controlled imports and exports were issued, in order to effect a better control both over currency and over locally needed food supplies. Advisory committees were later selected from among businessmen in each field to assist in the working of these controls.

In spite of these efforts and the self-congratulation expressed in the Legislative Council over the smooth transition effected from a peacetime to a wartime basis, as contrasted with the 1914 experience, the local cost of living had by mid-October

1939 risen from 10 to 25 per cent. The food control system worked admirably from the viewpoint of the big merchant and the high-salaried official—the former making his share of profit without undue competition and the latter not being overexploited by the unscrupulous trader. But it did infringe on the petty traders' profits and their normal trading activities. It failed to help materially the middle and laboring classes, since any plea for a rise in wages was turned down on the ground that official controls had prevented an increase in the cost of living.

As the passive character of the war, at this time, began to diminish the sense of emergency, the perennial critics of state trading and state control came once more to the fore. State interference was held to be justifiable only as a last recourse and government holdings of large stocks to be tolerable only for a short period. In spite of the attempt to preserve secrecy, the news that the state was a big buyer in the market had led to a rise in wholesale prices. The government could never dispose of its stocks without injuring normal trade. True, the government could use its supplies to steady public morale, as well as the market, but once the principal of state control was established it would lead to price fixing all along the line. Die-hards of the laissez-faire tradition warned the public not to place too much reliance on the government's capacity to purchase and hold stocks of essential foodstuffs, since this could never alter the unpleasant fact that eventually replacements would have to come from overseas sources, which at any moment might be cut off.

The government did make a few attempts to publicize what it was doing and pressed on with the establishment of more control machinery, not greatly perturbed by criticism. Its contention was that official measures had helped, though not enough, to maintain prewar prices, and that the answer to the problem was more rather than less official control. While the cost of living had admittedly risen, it had not produced the all-

round rise, notably in necessities, suggested by the citation of a few items. Water, electricity, and gas charges remained the same: the prices for amusements and cigarettes and bus fares had not altered. Government stocks of rice, milk, sugar, flour, oils, and salt were rising. Price control was hard to maintain in view of increased manufacturing costs, depreciated exchange, and rising freight rates. Such a variety of tinned provisions came to Malaya that the government had decided to fix maximum prices only for the most essential and for those of first quality. If government buying had caused an upward trend in prices, it had had to be done to improve Malaya's food position. The Malayan public was now simply paying for the precarious prewar practice of traders who had persisted in maintaining their stocks at a minimum.

The business community at once repudiated what it considered to be an attempt to shift the blame to it for the higher cost of living. However, it could not deny that, largely because of intense competition, Straits traders had usually maintained their reserves at a minimum—one month's stock in the country, a second month's stock on the water, and a third month's stock on order. So it concentrated on complaining of the government's unnecessary interference with the normal processes of trade. Not content with having tied up commerce in red tape, the government by its purchases of supplies had created a shortage if not an absolute famine in many articles indispensable for carrying on the country's business. But the general public approved of the government's measures, and even the merchants themselves could not offer any constructive alternative. The Singapore Chinese Chamber of Commerce, at a meeting called in December 1939 to discuss the situation, could come to no agreement as to the basis on which to make representations to the government. In the spring of 1940 the grow-more-food campaign was being taken more seriously. By June the bad turn which the war in Europe was taking, along with discussion of the local income tax,

absorbed most of the public's attention. Less and less criticism was heard of the working of food control. It had come to be regarded as a necessity.

Aside from the hardship inflicted on the dealers who had built up so much of the Straits trade, the weakest points in the official food control were its failure to check profiteering and to ensure an adequate distribution of stocks. In August 1939 rice dealers had been licensed and required to supply monthly reports of their stocks and sales. Four days after war was declared, disciplinary action was instituted against profiteers, by cancellation of these licenses. By December the government had largely succeeded in negating the price rises of early September, but with the growing shortage of Thai rice in Malaya, throughout 1940 and 1941, prices rose steadily and profiteering with them.

The problem of profiteering was a very complicated one. It had existed in Malaya for years, but the war enormously stimulated it. The lack of public cooperation, too, was a great handicap, although the government tried to make the controlled prices better known through the press and the radio. It claimed to have investigated every charge of profiteering, but found some of them too vague to convict offenders. The public was obviously reluctant to lay such information against a dealer, presumably because of the general Asiatic dislike of appearing in court. The traditional methods of financing the food trade were another obstacle. To prevent the retail price of an article in one part of town being double the wholesale price in another district, the government had to break through the maze of middlemen and moneylenders through whose hands food purchases passed. Unless a retailer had sufficient capital of his own, he had to go to the ubiquitous broker who paid cash to wholesalers and extended credit to the retailers. The Food Controller urged householders to pay cash for goods, since this would automatically bring prices down, and tried to educate the trade to adopt less wasteful methods of

distribution. But the main contribution made by this department towards destroying profiteering at its source was to keep state supplies at such a level that rationing would not have to be enforced. Eventually this too became necessary for several commodities. As rationing gave rise to a fresh outburst of profiteering a committee was appointed in Singapore, in July 1941, on a communal basis to suggest other means for controlling food prices. After almost two years of controlled food prices, of prosecutions and increasingly stiff fines, profiteering in rice, milk, and sugar still existed. While the situation would undoubtedly have been worse had there been no official control, the absence of effective machinery was shown early in December 1941 when profiteering broke loose on an enormous scale after the outbreak of war in the Pacific. Then, and only then, were sufficiently drastic laws passed to keep the situation—at least for a brief time—under control.

The distribution of rice stocks, as the war progressed, began to cause considerable alarm in the less accessible areas. In an emergency rice would be required on the spot. With the probable disruption of communications such stocks as had been accumulated at certain centers were of dubious value since they were obtainable only from a distance. In response to government appeals, launched in the early days of the war, practically all the well run estates had laid in from two to three months' stocks of rice. During April 1941 the rationing of rice to estate laborers was effected, and in general the rice-cards-with-check-roll system was adopted. Yet what was still lacking was some legislative compulsion requiring licensed dealers, and consumer-units, shops, and mines to keep more than their present one month's stocks on hand.

Nor had the government itself made any better provision for its own big departments, like public works, railroads, and hospitals, which were still relying on local shops to supply all those employees to whom they had issued rice cards. The majority of the tin mines had not even one day's supplies on

hand as they obtained their labor through contractors. In their turn the contractors got over the difficulty in much the same way as the government—by making arrangements with the shopkeepers to keep their rice, which was again covered by the monthly stocks held by licensed dealers. In the case of more than one military establishment in Malaya the practice had been to get almost all food supplies daily from the nearest central depot, which in some cases was many miles away. While this was understandable for units apt to be moved at very short notice, it would have been more prudent in the case of permanent bases like hospitals to retain stocks on the premises, especially where the personnel concerned were mainly Indians for whom rice constituted the main article of diet. Planters feared that in an emergency the government would commandeer the rice stocks which the most far-sighted among them had amassed for their own use, or that managers of isolated estates might not be in a position to refuse the hungry mob that would undoubtedly besiege their granaries, should the transport system be cut or bombs destroy the urban supply centers. What no one foresaw was that the two months' supply of rice amassed in Penang would be taken over intact by the Japanese, in addition to undestroyed stocks of tin and rubber. Not till 24 December did the Straits government agree to lend money to employers of large labor forces and to facilitate the provisioning of consumer units for the free distribution of food in an emergency.

While the government was almost commended for its stock position in foodstuffs and slightly less praised for its food-price and rent controls, its handling of other commodities through the import and export regulations was severely criticized. Not only were shortages becoming increasingly apparent, but no effort was being made to control the sale price of either imported or locally produced articles other than foodstuffs. When the government was asked to fix maximum prices for necessities like matches and piece goods, which had

in two years of war risen by 500 per cent and 150 per cent respectively, it claimed that the problem was too complex for it to tackle. It did, however, from the outset of the war license imported goods.

The Import and Export Bill of 1939 was designed both to provide a more efficient means of conserving foreign exchange and of checking any trade with the enemy. From the viewpoint of dealers it had ruined the entrepôt trade; from that of the local industries it had slowed down or brought production to a standstill, notably the building trade; from that of the general public its effects were being felt in the wrong places and by the wrong people. The smaller wage earners were the hardest hit, for the price of daily necessities had risen disproportionately high in relation either to increased costs or to their incomes. Undoubtedly importers and retailers were profiteering, though both groups claimed that all they could do was to keep going. Mercantile mathematics became very simple: instead of making a 10 per cent profit on one hundred cases of merchandise, dealers were making a 20 per cent profit on fifty cases.

By the summer of 1940 Straits merchants were fairly willing to admit the necessity for protecting the country against shortages and exploitation, and for accumulating the greatest possible amount of foreign currency as applied to luxuries and foodstuffs on the importing side, and to tin and rubber on the exporting side. But they were not ready to accept control as applied to a great variety of materials necessary for the construction of defense works. They were also becoming restive at having to finance the holding of stocks for the government over an indefinite period. Simply by withholding sales permits the administration was tying up large quantities of capital and supplies and also, they felt, unnecessarily throttling private consumption. Until 1941 such supplies were readily enough available in the United States, and their reexport formed an important branch of the dying entrepôt trade. If they were



forced to hold stocks indefinitely the dealers asked for a guarantee of future sales or at least insurance against their perishability. But this was not forthcoming.

Actual shortages of necessities were not felt until late in 1940, but thereafter on an increasing scale. Imports from the United States were drastically cut during the first half of 1941, and shipments from Great Britain became very irregular. Malaya was becoming increasingly dependent on her nearest neighbors' supplies. But India had developed only a very limited industrial production suited to Malaya's needs; apart from a few food exports Australia was bending all her efforts to her own defense needs; in September 1941 it was announced that supplies from the United States would be put on a quota basis and limited to those consumers who were producing for local defense works. All such purchases had to be made through the government, which now confined the activities of Straits merchants to the distribution of those few non-defense articles that could still be imported. The government was, of course, criticized for restricting imports blindly without apparent knowledge of the country's normal requirements or of available stocks. If Malaya needed foreign exchange and shipping space as badly as all that, then steps should be taken to enforce a stricter and wider price control. A few persons recognized some of the major difficulties with which the government was having to contend. The expansion of the country's exports, involving higher wages for more wage earners, had also increased the amount of money in circulation and with it the difficulty of maintaining import and price control. The Department of Restricted Imports admittedly suffered from shortage of staff, poor accommodations, changing instructions from London, and the need to consult other departments concerning each new measure. All of this inevitably caused delays. But the most serious weakness in the official control of imports and prices was the piecemeal inadequacy which characterized all the Malayan government war measures.

Along with import control, that of foreign exchange was considered to be the least successful of Malaya's wartime departments. Early in the war Malaya, as the greatest exporter to non-sterling countries in the empire, was given as her distinctive task that of developing into an American dollar arsenal. In October 1939 the Straits government, emulating similar legislation in Great Britain, assumed control of all gold holdings and foreign exchange. The subsequent regulations regarding imports and exports were primarily aimed to conserve foreign exchange by checking the inflow of merchandise from countries on a non-sterling basis. As to the old appeal to buy British, the Malayan public was puzzled to know how far to stimulate United Kingdom exports, and how much it was expedient to make purchases from the United States, their best customer. American requirements of Malaya's tin and rubber and Malaya's need to get supplies wherever she could, in time removed this problem from the academic sphere—at least so far as currency was concerned.

Admittedly currency control was the most difficult of all the systems introduced; more complaints were made against it in Malaya than about all the other wartime machinery put together. Probably this was due to the notable absence of elasticity in the administration of currency control, and to the impossibility of carrying out many of the orders issued from London. The notorious Form H, which came into force in June 1940, demanded that the seller of any stock share should certify through his banker or broker that no enemy interest had ever been concerned in its ownership. Another impossible ruling was that which concerned shares deposited with non-British banks in Singapore. For example, if a local British subject had deposited scrip with the Netherlands Trading Corporation against an overdraft and had transferred these shares to the Dutch bank, he was still able to redeem them but could no longer deal in them. This regulation was based on the non-sterling registration of the Netherlands Corporation, yet this same bank was treated as a resident institu-

tion in India. Six months later Singapore followed India's lead, but even then the peninsular states did not fall into line, with the result that large sums of money in the country were completely immobilized. One of the greatest hardships currency control imposed on the Chinese population was in the effect which it had on Chinese remittances to the homeland. From the outset it had been specified that relief funds could still be sent to China, for at that time the repercussions on the local labor situations were not appreciated. Family remittances, however, were curtailed to the aggregate sum of \$500,000 monthly. Periodically the Chinese protested that this amount was insufficient, and asked that it be increased to \$625,000. Their demands centered public attention on the loss to Malaya represented by these Chinese remittances, and the currency control came to be judged less harshly since its working was bringing to light useful information on this subject. If the Chinese request had been granted it was estimated that \$9,000,000 would leave the country every year, of which no appreciable portion would return. The only concession made was a lowering of the rate for the Straits dollar as against the Chinese national currency in February 1941, so as to eliminate the 10 per cent difference from the prevailing market rate.

In August 1941, at the request of the Chinese government, the Straits government froze local foreign accounts belonging to nationals of the Republic of China—a measure which did not affect the domiciled Chinese who had accounts in Malaya's Chinese banks. Remittances were suspended for two weeks—also at Chungking's request. As nearly two million Chinese in Malaya regularly remitted sums to their families in China via Hong Kong, it was feared that this money was being diverted to and by the Japanese. Three days after the ban was imposed, Hong Kong was included in the sterling area, and this move was heartily welcomed by Malayan Chinese, who expected it

to facilitate both their trade with and their remittances to China.

At the end of the preceding May the Malayan governments had further tightened the exchange laws and imposed heavier penalties for their infraction. This ruling brought Malaya more into line with the regulations prevailing in Great Britain, but it unleashed a new barrage of criticism against local currency control. This department was denounced as the outstanding example of failure to use discretionary powers. The difficulties which it had placed in the way of ordinary business were said to be responsible for bringing the local share market almost to a standstill. Merchants were afraid to trade because they never knew what other order might next be forthcoming: capitalists were not investing their money because they believed that idle holdings of local currency were likely to remain longest free from official interference. The faulty handling of currency control was attributed partly to this department's slavish adherence to regulations drafted for the United Kingdom and applied without imagination to Malaya, and partly to its officials' lack of expert knowledge.

At long last the Currency Control Department apparently came to share in that opinion. Not only were a number of its rulings modified to suit local application, but the department actually advertised in the newspapers for a banking adviser, in the spring of 1941. While critics of the government were gratified by this tacit admission of failure, they at once protested against the creation of still another wartime post as but one more illustration of the government's needless extravagance.

A report issued by the Finance Committee, in June 1940, drew public attention to the heightened cost of running the various special departments which had been created to cope with war conditions. Grudging tributes were paid to the work accomplished by the Food Control and Censorship depart-

ments, and acknowledgment made of the complexities confronting the enforcement of import and currency controls, but a general desire was evinced to confine such machinery to the minimum, to cut down red tape, and to stop simply copying regulations in the home country.

The public's anxiety to curtail the mushroom growth of wartime departments was motivated not solely by irritation over the obstacles which they were placing in the way of a traditionally free-trade community, but also by opposition to the type of taxation with which the government proposed that they should be paid for. If perforce Malaya had to submit to income tax, those who paid it were not willing to see its proceeds deflected from the imperial war effort to paying for unwanted local departments carrying a host of obstructionist officials. It was the Straits Municipal Councils which led the crusade for greater economy in the government's war-time expenditures. The Penang Commissioners refused to sanction compensation for overtime war work done by already well paid department officials, especially at a time when the cost-of-living allowances granted to government employees were admittedly inadequate. And the Singapore Municipality fought against being saddled with passive defense expenditures, protesting at the time against the casual manner in which the central government was asking the public to finance an ever growing number of emergency departments. To the average citizen, however, this was an academic question, as in the long run he would have to foot the bill anyway. If the municipality took on the burden it would be passed on to him as a ratepayer; if the central government paid, as a taxpayer. Possibly in response to these attacks the administration circularized its departments, early in 1941, to inquire as to how they might cut down expenses. Naturally no satisfaction was forthcoming, as the individuals consulted were the least likely to recommend curtailment.

The government's war insurance plan was usually cited as

the perfect example of departmental control strategy. A bill was introduced into the Legislative Council, early in February 1941, based on similar legislation in other empire countries but modified by the local chambers of commerce. Almost at once nothing was heard but adverse criticism of the rate—twice that in Great Britain—which was regarded as unnecessarily and oppressively high. The scheme was not confined to those—notably, the rubber interests—who had asked for this particular form of insurance, but compulsorily covered businesses which did not regard their risks as remotely approaching what the size of the premium indicated. Those who had asked for this insurance were in a position to pass it on to the consumer while at the same time they were covered against the loss of stocks destroyed during the brief period in which they were held in Malaya. Yet the rubber interests who had instigated the scheme maneuvered less cleverly than the tin industry, and found themselves saddled with an unexpected incubus.

The statutory rate of 1.5 per cent per quarter became, in operation, three times that figure, since the insurance did not travel with the rubber. The producer, having paid the premium on his parcel of rubber, sent it to the middleman, who also had to pay the premium, as did finally the exporter while the rubber was awaiting shipment in his godown. In this way the rate came to the exorbitant figure of 18 per cent per annum as compared with 3 per cent in Great Britain. In only one respect did rubber benefit—it was the only commodity allowed an adjustable policy with a maximum of \$20,000. Neither palm oil nor copra, which had been very hard hit by the war, was allowed the same facilities with a more reasonable high limit. The status of the retail stores was no better, for premiums had to be paid on the maximum stock at the beginning of each quarter, with the result that the rate came to about 10 per cent per annum—regarded by them as ruinous. In view of the stocks such businesses had to carry over an

extended period, they were unlikely to net an annual profit of 10 per cent; and if they did so it would now be swallowed up by the insurance. Naturally this discouraged the retailers from carrying large stocks which the government wanted them to hold as emergency reserves.

The fact that this anomalous bill was brought in under the Defense Regulations without any opportunity for public discussion was another point in its disfavor. So the war-risk insurance scheme came to be regarded as but another illustration of the inefficiency of government in business and as one more of the many shackles with which trade was being arbitrarily burdened under the blanket excuse of emergency conditions. The government paid no heed to the numerous criticisms directed against it. Notices issued in July 1941, underlining the penalties which failure to take out war-risk insurance would entail, suggested a pretty widespread evasion—natural enough in a polyglot community where methods of keeping stock accounts differed enormously, if indeed they were kept at all.

In the government's defense it should be said that there were many merchants with insurable goods who were delighted to pass on the responsibility to the administration, and who were not inclined to cavil at the initial rate. Despite the difficulties of enforcing this compulsory insurance, especially at the low level of \$10,000, the government was reported to have built up a fund of over \$2,000,000 with the first quarter's premiums. As the main purpose of the bill was to cover tin and rubber stocks, it had succeeded in setting up an easily operable system which had quickly amassed the funds for meeting claims. The fact that in the summer of 1941 some of the Unfederated States considered becoming participants in this scheme was a notable tribute to its success. As usual, however, the government let insurance rest there, and turned down suggestions for insuring immovable property and personal effects against war risks. In regard to war insurance for labor-

ers, only after it became clear that the insurance companies would no longer accept this liability under the Workmen's Compensation Scheme, did the administration come out of hiding and produce its own draft ordinance.

Against the official scheme for rationing gasoline, the public was vociferously up in arms. Although the price of gasoline had risen steadily since the outbreak of war, it was not until March 1941 that rationing came into effect—after only two days' notice. The Controller of Oil claimed that, although the sources of supply were near at hand, Malaya's requirements must be safeguarded, and foreign currency and freight space be conserved. This explanation did not seem to hold water. The freight space required for the transportation was not large, even allowing for the increased demands of the armed forces. Since all Malaya's petrol came from Sarawak and the Netherlands Indies, which for all practical purposes were part of the sterling bloc, it was hard to grasp the point about conserving foreign exchange. In reply to this storm of criticism the government mildly claimed that rationing had been introduced as an experiment and on a sufficiently elastic basis to be easily adjustable after the necessary information had been gleaned and the organization set up.

Thereupon criticism shifted to the time-honored reproach that it was not so much what the government had done as its way of doing it, and that there was no point in introducing such schemes merely to duplicate in Malaya the sacrifices that perforce had to be made in England. As there were no signs of a petrol shortage in the country, and little likelihood of one, the public remained unconvinced of the need for restriction. One remarkable argument put forward at the time was that, the more petrol Malaya consumed, the less would be available for the Axis: during 1939 Singapore had exported to Japan about \$10,000,000 worth. Possibly, as the Singapore Ratepayers Association hinted in its protest, the government was not being frank with the public as to the real cause of



petrol rationing. The government did not commit itself and proceeded to curtail further consumption, by about 150,000 gallons a month. Moreover the Ratepayers Association agreed not to press the matter further.

For the better coordination of Malaya's war effort, pleas were made at different times that a supreme war council be set up to control and direct the activities of the various states and settlements. The outstanding appeal was made by Captain Hashim, the Malay member of the Legislative Council, who complained of the costliness and delays involved in the present set-up. If the governments of Malaya had drawn up a comprehensive scheme for an emergency, he felt, they should so inform the public—especially the planters, who had little idea of what they should do with their large labor forces. The public, generally, had no detailed program of the procedure they should follow in the event of an attack: if they fled up-country the roads would be blocked and military movements be impeded. As little or no satisfaction was forthcoming, Hashim returned to the charge three months later, in January 1941, complaining of the continued lack of coordination and of any explicit policy in all matters connected with the war. People wanted more information and definite instructions on what to do, both in military and in economic terms. As a preliminary to the marshalling of all its forces he proposed that a detailed survey of the peninsula be made. Since the country had already a few all-Malayan departments it should also have a joint organization so as to pool all resources and to supply a central pivot for a total war effort.

Captain Hashim ventured to believe that a wartime emergency would make the different sections of the country forget old scores and rally to the cause of a Pan-Malaya. The government, however, could not forget the hornets' nest aroused by Clementi's proposals, in 1931, for greater decentralization and a customs union. Both issues had been intertwined and had foundered together, because the whole medley of oppos-

ing forces in Malaya was trained on them. The producing states of the peninsula with their protective tariffs had interests running counter to those of the free-trade ports of the Settlements; the pro-Chinese officials found themselves at odds with those advocating Malay preference; the Unfederated States sultans came out against the measures which had reduced their colleagues in the Federated States to the role of resentful spectators of the administration of their hereditary domains by and for aliens. Only in a country where the government willed that there should be no politics, and where such public opinion as was expressed came from the vested interests and could be ignored by an autocratic administration, could the real joining of issues be camouflaged by personal animosities and center around apparently irrelevant matters. The compromise worked out in 1934 was a clever one, but it did nothing to solve fundamental and conflicting issues.

The sop to the British-Chinese opponents of decentralization was the retention of a centralized financial system which negated the nominal transfer of financial autonomy to the individual states. A partial basis was laid for coordinating the control of certain general services, and more individuality was restored to the different Malay states, but nothing further was done to stimulate their evolution towards a real federation. While the modernization of the state councils theoretically paved the way for greater Malay participation in the administration, in practice the contrary occurred. The only officials and non-officials qualified to fill the new posts were representatives of the now politically conscious alien communities, with the result that the Malays were relegated farther than ever into the background. Naturally this did not encourage the already reluctant Unfederated sultans to throw in their lot with the Federation. Their strongly expressed opposition to decentralization and a customs union provoked repeated official assurances that they would never be coerced into uniting with the rest of the country, and a reiteration of Britain's

treaty pledge to respect their sovereign status. If the government was unable to face squarely the issues uncovered by Clementi's policy in 1931, it was even more reluctant to do so a decade later, when new racial and political factors were further complicating the problem of creating a united country, and at the same time making the need for it greater.

Clementi's proposals, coming concurrently with the depression, had had two important repercussions, although virtually no practical results. For the first time politics, which had heretofore been the preserve of the upper stratum of officialdom and a small crust of wealthy Chinese and British businessmen, were forced into public consciousness. The second trend they had stimulated was even more important—racial issues were thereby interjected into all future political and economic questions. Not only was the Sino-Malay problem left unsolved, but in the late 1930's that of the anomalous politico-economic status of the domiciled Indians was added to it. Gradually the division of power between the different sets of British officials and the vested interests yielded pride of place to the struggle for political recognition by the resident Asiatic communities. Clementi's program for a Pan-Malaya was hindered rather than helped by his method of sponsoring it, because it focused on an inherently sound concept, the force of irrelevant antagonisms. The prosperity which returned to the country after his retirement permitted British policy to sidestep the issues he had raised, and to seek refuge once more behind the traditional façade of doing its duty negatively by simply preserving the country for the Malays.

Possibly time alone might have effected a gradual transformation, at least in respect to states' rights. The British had learned that Malay *amour propre* must be taken into consideration, for any ultimate success which did not involve the use of coercion depended on persuading the sultans to accept a Malayan union. As matters worked out, the Unfederated States generally did accept the legislation initiated in the

Straits, provided that it was validated by their own councils. But the modifications they insisted upon making in these laws, simply to assert their states' individuality, and their willingness to accept all-Malayan department heads only as advisory and not as executive officers, introduced inconvenient divergencies and a dangerous confusion. Time was indeed on the side of finding a technical solution to the Pan-Malaya problem, because it was obviously a simpler and more reasonable type of administration for so small a country. But the more fundamental problems were insoluble by time alone. Would the British adhere to the centralized bureaucratic formula evolved by Kuala Lumpur, or would they follow the system of stewardship and advice developed in the Unfederated States? The Thomas administration did not supply the answer, simply letting matters ride because the advocacy of either policy lay too uncomfortably near the roots of the colonial system.

If the country were to be forced along the trail blazed by the Federation, the outcome would be a centralized European-type state devoted to the most rapid possible economic development by aliens. If the pattern outlined in the Unfederated States were to prevail, it would mean the long-term training and stimulation of a reluctantly conservative people, now bogged down in a backwater stage of political and industrial evolution. This would have delayed almost indefinitely any appreciable realization of profits from the country's great natural resources, and would also have antagonized the more energetic alien Asiatics and probably automatically eliminated them from the scene. Britain could not bring herself to make a decision between grooming Malaya for a brilliant and highly profitable economic role in competitive world markets, and the cultural ideal of preserving and fostering a perhaps permanently obsolescent way of life.

The Second World War removed this unsolved problem from the theoretical realm to the practical sphere, and also underlined the absurdities in the present system. Even die-

hards on the status quo were beginning to realize the Pooh Bah element in having one set of regulations brought into force by a single official, who called himself Governor in the Straits and High Commissioner in the Federated and Unfederated States. But opposition to Pan-Malaya was still alive. The Federal Council would have none of the Straits' proposal for an all-Malayan war loan, and even raised a great outcry when the governor referred its members to an exposition which he had made on the subject in the Straits.

Yet the inconveniences attendant upon so many different control enforcements produced a stronger trend towards union. The regulation, for example, which forbade a man traveling from Penang in the Straits Settlements to the near-by Ipoh in Perak to take money with him, except by written permission of the Financial Secretary, was so palpably absurd that a uniform arrangement for the whole country had to be accepted. An earlier adjustment would have saved an incredible amount of time, energy, and printing. Each Unfederated state, however, continued to keep its own exchange control officer, whose work could have been handled far better from a central office. To the very end Malaya maintained seven different custodians of enemy property, and this overlapping was duplicated many times over in various situations that arose out of the war. Malaya's different war-loan and defense measures had identical objectives, yet they were organized separately. The wartime advantage of presenting a consistent policy and a united front to an enemy common to the whole of Malaya was sacrificed for the sake of a lip-service loyalty to outworn treaties which Britain would have found no trouble in changing. Malaya's tragedy lay in Britain's failure to recognize the urgent need for making this change. Sun-dried bureaucrats continued to bask in time-honored privileges that would have been automatically eliminated had Britain's democratic war pledges been made a reality in Malaya.

Such measures of coordination as had been taken were con-

sidered to be sufficient by the government. No response was made to the plea that there be established a more unified control—at least for all matters relating to the war. The government still contended that the existence of multiple administrations did not impede the country's war effort, but rather cut the ground from under its own feet by admitting that it had taken over a year to settle the vexed question of just what percentage each state was to bear of the war expenditures. (*Straits Echo*, January 1941.)

Little came of Hashim's suggestions. In May 1941 an Economic Warfare Bureau was set up in Singapore to counter Axis propaganda in the Far East and to take control of regional raw materials. The proposal for an economic survey was submerged in implementing the Eastern Group industrialization program. Nothing at all was done about the suggestion that a permanent committee of the best brains in the unofficial community be appointed to supervise the activities of the war departments, which were rapidly getting out of hand. Possibly such a committee, by conducting its inquiries openly, might have restored public confidence in the government, which had been badly shaken by the revelation of widespread corruption among the Mines officials. There were no general allegations of dishonesty in the wartime administrative machinery, but there was a desire to be rid of the prevalent inefficiency, inexperience, and sheer obstinacy displayed by some of its officials. Inevitably departments organized under the pressure of war would be chaotic at first; but two years of war should have eliminated much of the unwieldiness and muddle, the interdepartmental jealousies, and officialdom's habit of standing on its dignity rather than getting on with its work.

The appointment of a businessman as head of the Department of Supplies, in August 1941, which involved the displacement of a Malayan civil servant, was a radical departure that went far to meet public criticism. But the vagueness

regarding the expenditures on wartime departments, especially on the Malayan Broadcasting Corporation, revealed in the budget estimates for 1942 once again aroused suspicion. Simultaneously it was announced that the conspicuously successful head of the Food Control Department was being transferred to the less important post of Resident of Selangor, and his place was to be taken by an untried official. Only too clearly this showed that the breach made in traditional practices had not fundamentally altered the official policy of promotion by seniority and not according to ability. Up to the very arrival of war in the Pacific, Malaya was still wrangling over time-scarred grievances, while the government continued on its plodding way, fairly oblivious both to public criticism and to the need for a drastic revision of its set-up to meet a possibly impending doom.

Up to the very fall of Singapore the anachronistic crown colony system of administration continued to jog along, as always, with the addition of a few new war departments, and independent of the military authorities. Neither General Brooke-Popham nor the more energetic Duff Cooper was permitted to interfere in local matters. Two abortive attempts were made to assault the "system." After June 1940 a group of enterprising individuals in Singapore took upon themselves the task of urging London to send out to Malaya a man of ability and standing to override the local authorities, should circumstances warrant some drastic action. This failed to effect any change. Duff Cooper, whose mission was not concerned with domestic affairs, did actually intervene, with the result that when his recall was announced early in January 1942 it was generally assumed to be ordered from Whitehall and against his own wish.

Any remaining hope of an immediate sharp change in the dual control of Singapore was destroyed by the Governor's broadcast on New Year's 1942 to the effect that the Colony's councils and civil administration would continue to function

normally, undisturbed by the proclamation of martial law. The War Council under Duff Cooper, and the Malayan Civil Service, could not by the nature of events continue to exist simply juxtaposed. So a civil defense committee had been set up, also under Duff Cooper—composed of a soldier, a civil servant, and an unofficial civilian. When it was suggested in the Legislative Council that plenary powers be given to it, to supplement its heretofore purely advisory function, the governor announced that another organization consisting of two Malayan civil servants and the busiest soldier on the island had already been given such plenary powers. Even the existence of this second organization was unknown to both the public and the civil defense committee until that moment.

On 17 January 1942 the governor issued a circular to the Malayan Civil Service saying that the day of reports, letters, and interdepartmental consultations was now over, and that nothing mattered any longer but the country's defense. While this statement was welcomed, it was so long overdue as to be totally ineffectual in altering the tragedy that was now imminent. If it had been made two years before and followed through, Singapore and Malaya might have been less handicapped administratively in dealing with the overwhelming problems which arose out of the invasion.

### *War Information Services*

The paucity of the information meted out to the public, first about the European war and later concerning Malaya's own bellicose efforts, was more severely criticized by foreign correspondents on the spot than by the English press. The latter was under little direct control and functioned under a gentlemen's agreement with the Censor—apparently to their mutual satisfaction. Only on one issue did the *Straits Times* go to the mat—the government's attempt to throttle its criticism of the heavy expenditures on the new broadcasting service. Otherwise the newspapers continued their traditionally criti-



cal attitude toward all the administration's policies, and the war effort gave new grist to this mill. Occasionally they would commend the control of food and even censorship itself, but they came down hard on official extravagance, inefficiency, and obtuseness, and devoted endless columns to denouncing the government's taxation policy.

The only outstanding example of press censorship in Malaya occurred in August 1941 when the *Indian Pioneer*, of Kuala Lumpur, reprinted an article from an English periodical with two columns deleted. Its colleague *The Indian* simultaneously suspended publication in protest against the government's arbitrary action and against a new order that both papers must be submitted to censorship before printing. In general the British preferred simply not to give out information. Foreign correspondents were made most unwelcome and were told that the British were "not going to lay on the war just to give you chaps some news." The exclusion of an American broadcaster, Cecil Brown, from the Singapore radio on the charge, not of having deviated from the facts or from his submitted script, but of having made statements detrimental to local morale, indicates the new policy of a government which had never had to take much stock of general public opinion. As the war came closer to Singapore, even the local British press bitterly criticized the administration's hush-hush tactics as being more detrimental to public morale than even the most disastrous information fully revealed.

While the public periodically clamored for better news releases it was generally conceded that Malaya was getting more war news in 1939 than during the First World War. Scarce though news was, Malaya's journalists had access to bigger files, and the radio brought more direct word to upcountry districts. The Department of Information, placed under an experienced journalist, issued innumerable communiqués, largely concerned with maximum food prices. Both the Singapore and the Penang radio stations did yeoman service,

considering their handicaps, in broadcasting bulletins in Asiatic languages.

In stating the government's propaganda policy, Dr. Purcell posed the main problems as he saw it, but hardly as it actually occurred:

How can a man who knows nothing but a quiet Malayan road with bullock-cart drivers dozing in their seats, the sun streaming beneficently down on the plantations of sugar-cane and tapioca and the coconut palms rustling in the breeze; how can he know what the war means? How can he realize his immeasurable debt to the British navy which keeps things so remote from his experience? We can help him by bringing such things home to him, by saving him from stupid or malicious rumors to which his ignorance makes him the prey, we can translate world issues into terms that a Malayan can understand and take every opportunity to let him know that we are utterly confident in the outcome.

Unconscious of the irony, the press and public only complained that that was just what the government was failing to do, and that the people of Malaya were "bowed down with frustration." They looked for a lead from an aloof and unimaginative government, but nothing was forthcoming. News releases which might have proved most effective in counteracting the rumors that ran rife in Malaya towns were permitted to go on circulating and growing without confirmation or denial. The very newspapers which were most vigorous in denouncing governmental inactivity continued to give an amazing amount of space to sports and recreational events, even during the disheartening days of May and June 1940. The chronic optimism of their editorial comment not only was dismally unrealistic but engendered a weak complacency in the public. Absorbed in its criticism of the government, the press unconsciously shared with the administration its failure to stir public energies.

Admittedly, senior officials were working under great pres-

sure; but from the time Sir Shenton Thomas went to England on leave in the spring of 1940 there was not one popular fighting speech from any leader, and no attempt was made to organize a patriotic demonstration. No display was made of Singapore's armed strength; there were no processions, flags, or bands—none of the patriotic hysteria that had characterized the 1914 recruiting campaigns—because the men of Malaya had been told to stay quietly in the country and produce the maximum quantity of tin and rubber. The Department of Information was doing its best to explain the various wartime regulations in millions of circulars issued monthly to Malaya's polyglot communities; but it was not providing any of the bang-the-drum type of oratory required to arouse popular enthusiasm. The government did not abandon either its traditional complacency or its isolation by addressing itself directly to the illiterate masses.

Even such modest successes as the administration achieved were not publicized. After almost a year of war the government shyly and grudgingly took the public somewhat into its confidence. In mid-August 1940, within the amazingly short period of a week, three or four announcements were made of war plans which had got beyond the paper stage—but even then without any invitation of suggestions from the public. Malaysians claimed that they wanted to make more of a war effort, but that they had precious little chance to prove their willingness to help. The press continued to clamor for public expression by officials of their confidence in ultimate victory, and for details about measures to protect Malaya against future emergencies. Vigorous talk was needed to end the defeatism of the faint-hearted, which was becoming widespread in the summer of 1940. If Malaya was slow to pick up her share of the war burden, it was partly because of the administration's failure to fill in the gap which was growing ever wider between the governing and the governed. Sir Shenton's return late in 1940 was anticipated in the hope

that he would put new faith into a despondent Malayan public.

Late in August 1940 members of the Legislative Council openly criticized the ineffectuality of the official propaganda service. In Malaya, as in England, this machinery had been set in motion only after the outbreak of war, and for a long time thereafter the department's staff consisted of only one official and two clerks. Its most useful work was accomplished merely as a press bureau. The creation of a larger staff including linguistic experts was urged to supplement the highly factual broadcasts by local professors and military experts, which generally left the public cold. The administration was asked to find a new type of public speaker and to get out a more popular pamphlet service. Two months later the government did widen the base of its war publicity, but continued to show its predilection for the academic by selecting a teacher to head the new bureau.

The reconstituted Publicity Department published a war map with the names printed in Jawi, to enable the Malays to follow war dispatches more easily. A Malayan civil servant was detailed to organize the work of combating subversive propaganda, and officers of the Agricultural Department were assigned to explain the official war bulletins whenever they visited a cooperative society. Censorship was extended: China, Japan, and Thailand were included in the long list of countries to which certain types of mail might no longer be sent without special permission. In a more active mood, the government promised to prosecute persons who damaged the British cause, or gave rise to alarm or despondency—a move to counteract the defeatism which was again spreading over the country during the Far Eastern crisis of early 1941. Powers for such prosecutions had been in the government's hands since the early days of the war, but had never been widely exercised. Warnings had been issued, but to so little avail that officials now decided to use more positively the powers en-

trusted to them for the better protection of public morale. In the summer of 1941 an intensive propaganda campaign was begun to bring the more inaccessible kampongs and estates into touch with the war situation by means of an ambulatory radio van and the display of official war films.

The radio was perhaps the weakest link in the government's propaganda chain. Even before the war, uneasiness had been expressed over the total absence of preparations for broadcasting in the event of hostilities. The wartime vagueness of the official attitude toward the British Malaya Broadcasting Company (B.M.B.C.) and the Penang Wireless Society was but a continuation of its peacetime policy. The former was a private business venture, which the small government subsidies it received never kept far from the verge of bankruptcy. The latter was an amateur organization to which the government had given grants only for equipment. This station redoubled its effort, as soon as hostilities began, in order to supplement the notoriously poor reception upcountry of Singapore's broadcasts. As a reward for this essential service the government eventually doubled its subsidy.

For some years before the war the government had toyed with the idea of installing a short-wave transmitter in Singapore; but finally it decided to buy out the B.M.B.C. That company was not anxious to sell, because it had built up its organization under difficulties and considered the government offer as too low; but its directors were handicapped in their negotiations because the expiration of its license was imminent, and so the government was able to obtain for only \$275,815 a ready-made, albeit miniature, organization then enjoying a revenue from local licenses alone which amounted to about \$75,000 a year.

This move was preliminary to a large-scale effort by both the home and the local government to build a bigger and better link in the empire radio system, endowing Malaya with one of the world's finest broadcasting services. A staff of all

the talents was collected in Great Britain, announcers in all Far Eastern languages were rounded up in Malaya, and money was spent lavishly early in 1941. The project and, above all, the expenditures were impressive enough; but regrettably little happened subsequently. The urgent need to improve British propaganda, locally and regionally, probably justified the heavy cost of the undertaking, but hardly the government's "bungling" of the transmitter situation.<sup>1</sup> In the interval between blueprint and realization, the government was vainly urged to use Java's up-to-date station and to improve the existing local service.

Sir Shenton Thomas was called upon frequently throughout 1941 to defend the cost of this undertaking, which seemed to be in direct contradiction to his reiterated policy of concentrating all Malaya's energies and money directly on the war effort. In asserting that the expenditure on the newly christened Malaya Broadcasting Company (which was finally established in October 1941) was justified by its potential importance, the government proclaimed that the Department of Information need fear comparison with no other analogous empire organization. It was regularly producing bulletins in eight languages, innumerable posters and pamphlets, and for the first time in Malaya's history a special Children's Newspaper was being issued fortnightly in English, Chinese, Malay, and Tamil. The total circulation of the all the department's publications came to over 150,000 copies a month. Every penguin throughout the peninsula received a daily bulletin of authentic news in Jawi. Sir Shenton envisaged the retention of this department as part of the Malayan governmental machinery in peacetime.

While detailed information is unavailable as to the growth of the radio public since the outbreak of war, the figures for 1939 revealed approximately ten thousand owners of receiving sets. About half were residents of Singapore, fairly equally

<sup>1</sup> Quoted from a statement of Dr. Victor Purcell.

divided between Chinese and British—the Indian radio community numbering only a few hundreds. The cost of radios and of licenses was too high for all but a fringe of the wealthiest Malays. Late in October 1941 an experiment was made in circularizing the seventy schools in Malaya which had receiving sets, to appraise their reactions to the first educational broadcasts then being made in the country.

## XIII

### *MALAY NATIONALISM AND THE WAR*

· JUST WHAT INFLUENCE all the official propaganda had upon the Malay population is hard to gauge; but it was generally conceded to be more efficacious than during the First World War. To the average Malay in 1914 the war was the affair of the white man, and he took his own security for granted. When Turkey entered the fray there was some talk as to what the Malays would do in the event of a Holy War; but the Turkish bombardment of Mecca had a calming and pro-Ally effect on the Malay Muslim world. The Malays in 1939 had more media of contact with the world. At least 60 per cent of the village dwellers, at any rate in the more accessible western states, read one of the twelve Malay newspapers—in contrast to the solitary Malay newspaper in 1914—and the government was using this press to scotch disturbing rumors.

Within the first week of war six measures of active support for the government were decided upon in one of the largest Malay public gatherings ever held in Kuala Lumpur. All able-bodied Malays present pledged themselves to join the Volunteers. They also agreed to urge their peasant compatriots to grow more paddy and rear more livestock, and to support the Patriotic Fund. Loyalty to the British Empire and denunciation of Nazi race creeds were subsequently voiced at intervals by Malay leaders, and such expressions became more spontaneous after Turkey appeared to be moving closer to the Allies in October 1939. But it has always been hard to appraise the real attitude even of educated Malays on any political question. They never were given to writing to the newspapers



and invariably preferred to say nothing if they did not agree with the government. Undoubtedly the Malays were pleased by the growth of Malay regiments and above all by their admittance to the Naval Volunteer Reserve. In the fall of 1940 the Malay paper of Singapore, *Utusan Melayu*, urged that news in Malay be included in the overseas service of the B.B.C., not because the local bulletins were insufficient, but because it would mean that Britain officially recognized a language that was spoken by seventy million people. When the Malay member of the Straits Legislative Council was asked to sum up the Malays' contribution to the war, he stated—largely negatively—that it lay in their absolute refusal to be swayed by enemy propaganda.

Nationalism was certainly dominant in such reactions to the war as were evident, but it was in no important way different from its manifestations in prewar years. Its growth, though rapid in the late 1930's, was still hampered by admixture with religious issues and confined to a very small but vocal minority. The Malay majority comprised both the apathetic peasantry and an embryonic middle class, which felt that such privileges as had been left or allotted to the Malays were benefiting only the raja class. This articulate element held the view that the government's policy of bolstering up an anachronistic sultanate and traditional Malay way of life was futile because it was inevitably doomed to destruction in the modern world. The sultans naturally supported British rule because they were enjoying a position far above that of their "sovereign" ancestors, and had become parasitic upon and under Britain. What the middle class demanded was a more genuine British effort to train Malays in self-government beyond the subordinate sphere, because official employment still retained the highest prestige in Malay traditions. But a more recently expressed desire to share in new economic opportunities reflected the growing materialism of the younger Malays, and also the widening gap between them and their conservative par-

ents. The radical fringe of that group demanded the exercise of real power by Malay rulers, a Malay majority in the legislative councils, and the use of Malay as the official language. There was a growing feeling among the more vocal nationalists that the British policy of respecting the Malay cultural pattern had deliberately retarded a vital national growth. Perpetuation of the different forms of protected and directly administered states had simply reinforced Malay regionalism to the strengthening of British rule.

The policy of Malay preference, consciously developed in the 1930's, did not characterize the early British administration. The Malays' weaknesses of timidity and courteous conservatism—characteristics which antedated British intervention—kept them for many years as mere spectators of the changes overwhelming their country. Their Muslim mentality was bewildered by man's domination over nature and by the separation of secular and religious powers, but it acquiesced in this eclipse of Malay-Muslim culture because of the Oriental belief that temporal prosperity was the sign of celestial favor. The new means of livelihood opened up under British control were theoretically open to all alike; but the passive Malays did not seek them, and stood aloof while the Chinese and Indians swarmed over their country.

The Malays sought compensation for this implied deprecation of their national life in a renewed allegiance to Islam. Malay loyalty was temporarily transferred from the local sultans to the Pan-Islamic ideals emanating from Turkey and Egypt. Pan-Islam, in Malaya before 1914, took on an imitative and defensive character. It was followed by a quickening of religious zeal throughout the peninsula. Muslim study clubs and exclusively religious schools sprang up everywhere. The Malay press became flooded with translations from foreign Islamic journals, materially affecting Malay literature. The movement was defensive in that it expressed a fear lest the Malay and Muslim way of life would be irreparably and ad-

versely altered by the materialism then pervading the peninsula. Its importance lay not in the ideas it inaccurately propagated regarding international events, but in the awakening of the Malay mind to the world outside. But Malay interest in Pan-Islam largely evaporated as a consequence of Turkey's contra-traditional actions between 1922 and 1924. The abolition of the caliphate obliterated the embodiment of its political ideal, and Britain's policy of noninterference and even of endorsing their religion did much to win over the orthodox group. The Malays were encouraged by the British government to remain Muslim.

Inevitably time divided the Muslim Malays into modernist and orthodox camps. As in other Mohammedan countries modernism had little hold over the masses or the uneducated village chiefs. Its adherents were chiefly the younger, English-educated men of the towns. The strongholds of orthodoxy were the religious seminaries of Perak and Kelantan, while modernism centered chiefly in Singapore and the western states; but even there the old ideas remained powerful.

In the early postwar period the modernists were represented by *Kaum Muda*, a party of about a hundred young Malays from the nascent middle class who attempted to progress along Western lines against the blind prejudices of their elders. The conservative group, *Kaum Tua*, simply wanted a return to the old ways, and denounced the modernists as worse than idolaters and Christians. *Kaum Muda* desired more democracy rather than a revival of their obsolescent aristocracy, and they tried to inspire their apathetic compatriots to share more in the new economic and cultural opportunities. Another group, under Muslim leadership from India, tried to steer a middle course, throwing its influence towards the restriction of divorce, the promotion of higher education, and generally attempted to increase the liberalism of those Malays who hesitated to identify themselves openly with the modernists. The usually broader outlook of the urban Malays was

shown, in 1938, by their opposition to a reimposition of the Muslim Offense Laws, which would have meant a reassertion of the authority of the *kathi* hierarchy. That same year the appointment of a Malay to a high engineering post, the selection of a Malay woman for the first time as supervisor of a Perak school, the formation of the first tin company by Malay enterprise—all were small achievements in themselves but marked a triumph for *Kaum Muda* principles.

The Muslim struggle in Malaya remained essentially a communal one. Both the traditionalists and the modernists lived on good terms with the foreign Malays who were coming in increasing numbers to the peninsula and were absorbed by the indigenous elements. They also got along well, albeit distantly, with the Christian British, who in the interests of peaceful government encouraged them to continue living in their traditional and isolated fashion. In 1926 a Mohammedan Advisory Board of fourteen was set up, including only three Malays. At the time this caused no friction, but the nationalistic reorientation of Malayan Islam was shown by a growing resentment of the predominance of Indians in this board, and above all of Arab Muslims who for centuries had been revered in Malaya as quasi-divine beings.

4 An interesting effort by Malays to educate their own people was the foundation of nationalistic Malay Associations in the 1930's all over the peninsula. Members of these groups, particularly those in the western states, were coming to realize that the Malays—aristocrats, peasants, and fishermen alike—had been relegated to the background, while power and position were passing into the hands of the more vigorous and money-minded immigrant races. They saw the need for discussion and action upon their mutual problems. A definitely religious, racial, and national feeling was taking shape, and a Malay public opinion was forming. Its tempo was accelerated by the economic troubles arising from the depression, and its outlines were sharpened by the national demarcations which

came in the wake of the war. But the chief Malay grievance remained economic and only secondarily political. Malays were beginning to feel that the transformation of their country had been exclusively for the benefit of foreigners; that despite their lip-service to Malay preference the British were no longer protecting their interests vis-à-vis the immigrant races, and were using that preference only to check the political demands of the latter groups. Nor could they see that they were in any way being prepared either for self-government or for a greater participation in their country's development.

Peasant indebtedness, major cause of the impoverishment of the cultivator class all over Southeast Asia, was present in Malaya although less acute than elsewhere. In 1933 the laws safeguarding their land through the creation of Malay reservations had been overhauled; but this had not averted the dangers arising from a growing landless peasantry. The ryot still handed over his land to the Indian moneylender, albeit illegally, because the chettyar supplied him with the credit he needed. The cooperative movement, though slow, was in many ways successful—unfortunately, least so in rural districts. Its membership in both the Federated and the Unfederated States came to just over 2,000 peasants on the eve of the Second World War. Perhaps more serious was the government's failure to protect the ryot's land against the encroachments of tin companies and Chinese agriculturalists. For long it tried to hold the balance between Malay peasant and foreign prospector; but the need for tin created by the war tipped the scales in the latter's favor. The equally cogent war-time need for rice produced the first breach in the government's policy of reserving all potential paddy land to Malay farmers. Malay nationalists wanted, as the only acceptable alternative, a government program to subsidize the impoverished Malay peasantry, improve kampong health, and above all to restrict alien immigration.

Numerically the Malays felt themselves being fast submerged by the aliens who had been encouraged by the British to enter their country contrary to their best interests. Native Malays still dominated in the Unfederated States; but in the Straits they were the majority only in Malacca, and in the Federation only in Pahang—in all accounting for only 37.5 per cent of the total population. The basis of their existence was agriculture, and their standard of living was low. In the Settlements, where the proportion of Malays engaged in commerce was highest, only one in twenty-five was so employed; and in the rest of the country, only about one in seventy. Nationalists complained that it was impossible for Malays to acquire either commercial training or employment, because all the business firms were run by non-Malays who hired their own nationals. The administration was absorbing an increasing number of Malays, but the total was still very small, and only in the Unfederated States did they outnumber the non-Malay civil servants. Malays had virtually no share in the tin industry, and only a limited one in rubber cultivation—24 per cent as contrasted with 50 per cent in Netherlands India. No statistics were ever published revealing the income of Malay farmers; but obviously agricultural profits were never great enough to induce them to cultivate food crops beyond their personal needs, despite increasing official pressure to make the country more self-sufficient. The revenues of Malaya, especially those of the Federation, showed phenomenal growth; but the Malays played no role in their development. They continued to go their accustomed way. Religious and agricultural duties regulated most of their waking hours, and their lives bore no real relation to the country's economic or political activities.

Since Islam was brought to the Malays not by the sword but by merchants who were conscious of being a minority in the country, it never developed fanaticism or a hatred of foreigners, but only a religious and racial feeling of separate-

ness. The Malay was vaguely aware of the existence of non-Muslim countries outside the archipelago, but his ideas of China and India derived almost wholly from unwanted representatives of these lands living in his country. Since 1905 there has been a growing consciousness of the might of Japan, but the concentration of Japanese in Malaya on Singapore Island (5,000 out of the total of 7,000) prevented any transforming contacts. When the Chinese coolies boycotted Japanese enterprises in 1937 and 1938, the Malays indifferently took their places—in so far as they felt inclined. Malay addiction to *senang*, the easy life, reinforced contempt for the alcohol-drinking, pork-eating, and usurious aliens and for their foolish striving for material gain.

The recently intensified demands for citizenship rights by the alien Asiatics heightened Malay fears and made racial issues out of such apparently unrelated questions as admittance to the civil service, the establishment of a Malayan university, and the opening of rice land to agricultural colonists. Yet only a handful of Malays were stimulated to real efforts to improve their position as a race. Instead of trying to compete on equal terms with the immigrants they continued to look to the British for artificial protection. Years of British paternalism, built on the barrier created by Islam between the Malays and other races, effectively precluded the development of a real Malayan unity. Even the nationalists wanted more British benevolence rather than the replacement of it. Leadership and cohesion were the chief elements missing in the steady growth of Malay nationalism. There was no organization or even will to organize, and no cooperation between the Malays of the Federation and the Unfederated States. The aloofness of Kedah, the superciliousness of Johore, and the apathy of Kelantan and Trengganu simply reinforced the isolationist outlook of the Federated States.

While Malaya enjoyed an unusual distinction in Southeast Asia as one of the few dependent peoples to seek European

protection against the encroachments of foreign Asiatics, changes were coming over that part of the world. At first these created, not positive loyalty, but an absence of resentment towards the sovereign power. The latter encouraged the Malays in their cultural and religious traditions, thereby chalking up more negative gratitude on the credit side of the account. This worked to mutual satisfaction until the interwar period, when new forces stirred in Malaya with peculiar strength, because of her geographical accessibility to international trade routes and because of her tie-up with world markets. Even the village Malays were affected, particularly when the alien Asiatics who lived near them became self-conscious racially and economically. Even then Malay-Muslim aloofness might have kept this contagion from spreading, had it not encroached on what the Malays felt to be their hereditary preserves. They looked upon the British as their traditional protectors and expected once again an active championing of their rights.

But the problem now was not an isolated one that could be solved in purely local terms. The British government in Malaya had to cope with the growing nationalism of China and India, and above all with the pressure of its own compatriots engaged in the country's two major industries, whose very expansion this government had fostered. The tables were now turned by the government's growing dependence on their revenues. With the government in the role of junior partner the industries were in a position to press on with the country's exploitation, regardless of Malay claims. In turn these industries' dependence on foreign labor compelled them, and the more reluctant administration trailing in their wake, to make concessions to the countries of their laborers' origin. The unhappy government tried to maintain a balance between these two forces. But its concessions to the vested interests failed to satisfy them, while undermining Malay confidence in the integrity of Britain's pledges of protection. The Malaya



government's sins of omission were more important in effecting this result than its sins of commission. Its failure to satisfy the aspirations of the domiciled alien Asiatics kept them psychologically, if not physically, transients in the country. By failing to implement its policy of Malay preference, the government lost the embryonic loyalty of the indigenous people. The British in Malaya simply had not foreseen the problems that would arise from the juxtaposition of such large alien elements alongside the native population. The unanticipated outcome of their worship of the twin gods of tin and rubber was not the marvellous monetary returns it brought but the sacrifice of a united nation which they might perhaps have created.

The Second World War stimulated all the centrifugal forces inherent in the country. Its deceptively gentle beginning led both the people and the government of Malaya to believe that this would duplicate the war of 1914-18, leaving the country physically untouched, and even better off in terms of accumulated wealth. Prosperity has been consistently Malaya's undoing. Not that the country did not know hard times, but adversity was short and was followed by prosperity each time more magnificent than the last. Every time that the country was on the verge of being compelled to undertake some needed reform, the compulsion behind it was submerged under another tidal wave of tin and rubber prosperity. If the resultant profits had been equitably diffused throughout all strata of Malayan society, the gaps which traditionally separated the races and economic groups in the country might have been filled in. But the current war, which brought phenomenal prosperity to the tin and rubber interests, likewise brought ruin to Malaya's other industries—especially to those in which the larger percentage engaged were Asiatics.

While it could not be said, even in the more tumultuous recent years, that the people of Malaya were seething with

discontent, they did have definite and widespread grievances. In all probability the educated and world-conscious among them did not welcome the Japanese invaders from whom they could hardly expect a better deal than from the British. The Chinese, in particular, must have been hostile to the Japanese, both because of nationalistic sympathy which they had so generously and consistently shown toward their homeland, and because of the benefits they above other races in the country had received under British rule. While the Malay sultans were reported to have placed themselves amiably under Japanese protection, they undoubtedly did so from the same motives that had led their forefathers to acquiesce in Britain's domination—self-preservation and an easy berth. The uninformed Malay villager was probably bewildered by the whole business—astonished at the weakness of the British defense, which he had always accepted along with his Islamic traditions as impregnable.

Malay nationalists are too disunited, too few, and too aloof from their peasant compatriots to form the nucleus of a pro-Japanese party, or the framework on which to build a postwar Malay state. The Indians offer better material for the Japanese to work on; but they have the same weaknesses as a community, except for the contacts established by their leaders with the Congress movement in the home country. Two prominent Indians of Penang, a journalist and a judge, were apparently sufficiently disgruntled with British rule to serve as appointed officials under the Japanese in the peninsular states. But the Malays and the Chinese there are hardly likely to accept Japanese leadership.

The mass of Indians and Chinese coolies caught in the peninsula by the invasion are undoubtedly being used by the Japanese to reconstruct mines and plantations. How far and how effectively the scorched earth policy was actually carried out has been the subject of much debate. Letters and editorials

in the *Straits Times* during the early stages of the invasion indicated that it was far from thorough in the northern peninsula. Returned officials have reported that the efficiency of the scorched earth policy increased as the Japanese approached Singapore, but as the richest tin mines are in Perak and rubber trees by their nature are not inflammable, discussion tends to be rather inconclusive. It becomes a question of British moral responsibility rather than of actual destruction of resources and their utility to the Japanese. The question cannot be wholly resolved until the war accounts are tallied up. The reluctance of managers to destroy their companies' highly valuable properties was understandable, especially where junior assistants were left with sole responsibility. Many of them, with an admirable if unrealistic belief that they would be back soon, compromised by removing a few of the vital parts of the tin dredges, which the Japanese claim to have replaced with ease and dispatch. Less comprehensible was the failure to block the Perak rapids by dynamiting or even felling trees. A growing conviction of the inadequacy and unpreparedness of Malaya's scorched-earth policy was a shattering blow to public morale.

While the Japanese have acquired far more rubber and tin than they can possibly use themselves, given the additional supplies of both furnished by Thailand and Indo-China, they can accumulate stock piles of these essential materials to use in post-war bargaining—provided, of course, that the traditional markets for these commodities do not develop other sources of supply at a permanently competitive cost under war pressure. In any case the Indian and Chinese coolies in Malaya have but a slightly developed national consciousness, and must accept Japanese domination as an alternative to starvation. Moreover, the Japanese could hardly allow such a potential menace as their numbers represent to move about the peninsula indefinitely, except under strict guard.

On 6 March 1942, the British Secretary for the Colonies,

Mr. Amery, in an address to the Oxford Union, said that military training had not been forced on the people of Malaya, and that it ill became those who in the past had denounced the British Empire as an empire of militarism and force to complain because these people had been untrained, unarmed, and unused to the thought of war. It was equally absurd, he added, to suggest that any wider measure of local self-government would have made a difference in that respect.

Mr. Amery was begging the question. Militarizing the people of Malaya was not the only means by which Britain could have fulfilled her pledge to defend their country. Moreover, those Malaysians who had asked to be trained in the use of arms were refused. The country was not prepared, either psychologically or physically, for an ordeal which Britain, probably because of more pressing dangers in Libya and the necessity of supplying arms to Russia, proved powerless to avert. The British either should have sent adequate forces from outside, in the old-style imperialist tradition, or else should have given the resident peoples enough of a stake in the country to make it worth their while to defend British rule. As it turned out, however, Britain's military weakness was not offset, as had been expected, by American reinforcements. The unpreparedness of the commanders in Hawaii and the Philippines resulted in the destruction of much of the local heavy bomber strength and prevented long overdue supplies of American planes and material from reaching Southeast Asia.

A wider measure of self-government would, it is true, have meant the sacrifice of British domination to the more numerous resident Asiatics. Whether or not the latter could thereby have developed sufficient unity, efficiency, and sense of responsibility to ward off an invasion remains in the realm of hypothesis; in any case, it could only have been done over a period of years. What Britain did accomplish in Malaya failed to stand up under the test. The mosaic of divergent races and interests fell apart under the invaders' blows. Such a statement

as Amery's, coming from so high an official, symbolizes the avoidance of fundamental issues that characterized British rule in Malaya. The root of the evil lay in the purely economic form of imperialism which developed, and which failed to weld the peoples of the country into a Malayan nation.

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